

# Syria Drops Conditions For Peace Negotiations

## Christopher, After Damascus Trip, Says Assad Is Ready to Move Ahead

By Thomas W. Lippman  
Washington Post Service

DAMASCUS — Through a cloud of diplomatic discretion and nuanced analysis, Secretary of State Warren M. Christopher and senior aides indicated Friday that President Hafez Assad of Syria was prepared to move ahead quickly with negotiations that would lead to peace between Israel and its Arab neighbors.

Mr. Christopher and his negotiating team disclosed few details of Mr. Assad's response to new proposals from Prime Minister Shimon Peres of Israel after Mr. Christopher relayed them in a four-hour meeting. But they said they were convinced that Mr. Assad wanted to go ahead, and that he had dropped all conditions he formerly set for undertaking conclusive negotiations.

"This was a really good day," one State Department official said. "This is a very positive story."

Mr. Christopher said, "Based on the constructive ideas today, I can say that the parties clearly want to press forward."

After a cycle of rising expectations following the assassination of Mr. Peres's predecessor, Yitzhak Rabin, these bland formulations might seem to be a letdown.

But U.S. officials stressed that they were encouraged by Mr. Assad's response and that they expected additional developments after Mr. Christopher conveys it to Mr. Peres in Jerusalem Saturday night.

In one sense Israel and Syria are still negotiating about how to negotiate and are far from sitting down together to bridge their differences, especially those over the Israeli-occupied Golan Heights, which Mr. Assad is demanding to regain as the price of peace.

But U.S. officials said they found ample reason to believe that once a negotiating framework is found that can encompass substantive issues both sides are ready to deal. U.S. and Israeli officials are predicting an intensive three to four months of negotiations and even shuttle diplomacy by Mr. Christopher, a task he said he was ready to undertake if it would be "useful."

Neither Israel nor Syria is insisting on preconditions before negotiations take place and neither wants to return to the impasse that developed last summer when Syria backed out of high-level military talks and negotiations between ambassadors in Washington petered out, U.S. officials said.

For Mr. Christopher, the premise of his

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The French public-sector strike appeared to be winding down Friday, but that didn't help motorists crawling toward the Place de la Concorde in Paris.

# French Rail Workers Vote to End Strike, But Ill Will Remains

By Craig R. Whitney  
New York Times Service

PARIS — French railroad workers voted Friday to end a national strike that has kept the rail system shut down since Nov. 25, and the most serious labor unrest in a decade began winding down. The sour mood of widespread discontent that it reflected remained.

Rail and subway service in Paris resumed Friday, and Bernard Pons, the minister of transportation, said that trains around the country could be running again by Tuesday. The president of the rail network, blamed by the government for an impasse with the unions over a five-year reorganization plan that has now been put on hold, submitted his resignation.

Two of the country's biggest labor unions were still calling for mass demonstrations Saturday against government plans to raise taxes and make changes in the state social security system to reduce its \$13 billion annual deficit. The government announced its plans, with little discussion beforehand, a month ago.

Civil servants and public employees have led the strikes, which tied Paris and other cities in knots and forced people in the private sector to spend hours getting to and from work. Public opinion was more favorable to the strikers than to the austerity policies of Prime Minister Alain Juppé's government, which had accelerated them to get France ready for European monetary union by 1999.

This week, Mr. Juppé was forced to make concessions, freezing a five-year plan to reorganize and trim the vast rail network and leaving state employees with generous pension rules he wanted to make more like the less generous plans used in private industry. His concessions, and the approach of the holidays, have begun taking the steam out of the movement, and the return to work of the rank and file has effectively saved Mr. Juppé from having to

resign to bring the strikes to an end.

Nicole Notat, leader of the socialist French Democratic Labor Confederation, with about 650,000 members, had broken with other unions Wednesday night, urging her members to declare victory and go back to work instead of marching to what she called a political dead end Saturday. Mr. Juppé has President Jacques Chirac's backing, and their conservative coalition has a wide majority in Parliament.

Marc Blondel, the 57-year-old militant union leader who spearheaded the protests, has called for an even bigger turnout than the estimated 1.7 million who took to the streets in cities around the country last Tuesday.

"The French do not want to live like Anglo-Saxons, and the government has to understand that," he said, alluding to the more Darwinian economic climate of Britain and the United States.

But in an interview Friday, one of his key aides, Roland Gaillard, said: "School vacations start next week, and momentum is beginning to dissipate." Mr. Gaillard is head of the state functionaries' section of Mr. Blondel's million-member Workers' Force union, which has made the strike movement into a national expression of mass dissatisfaction with tight-money government budget policies at a time of high unemployment.

A few high-speed trains ran between northern Paris and Lille on Friday for the few passengers aware that service was resuming fitfully, but there were no trains through the Channel Tunnel to or from London, and striking workers in Caen and other areas stayed away.

In Paris, at least a few trains ran Friday on 6 of the 14 subway lines of the Métro for the first time since Nov. 29, and 98 percent of the workers in the national postal system were back at work, officials said.

The strike never spread to the private sector, though public opinion polls showed that a narrow majority of the French people backed the unions.

# U.S. Suspects India Plans First Nuclear Test Since '74

## New Delhi Cites 'Routine Exercises'

By Tim Weiner  
New York Times Service

WASHINGTON — American intelligence experts suspect India is preparing for its first nuclear test since 1974, government officials say, and the United States is trying to discourage it.

In recent weeks, spy satellites have recorded scientific and technical activities at the Pokhran test site in the Rajasthan desert. But intelligence experts said they could not tell whether the activity involved preparations for exploding a nuclear bomb or some other experiment to increase India's expertise in making nuclear weapons.

"We're not sure what they're up to," a government official said. "The big question is what their motive is. If their motive is to get scientific knowledge, it might be months or years before they do the test. If it's for purely political reasons, it could be this weekend."

India issued a strong denial Friday that it was preparing a nuclear test.

"There is no truth in this," said Arif Khan, chief spokesman for the External Affairs Ministry. He said the intelligence agencies apparently spotted military activities that were not related to India's nuclear program. The government routinely declares its nuclear program to be

"peaceful" in nature. "There are routine military exercises in this area because it is close to the border with Pakistan," Mr. Khan said.

The Congress Party of India, which has governed the country most of the years since 1947, has been accused of facing a "nuclear test" by the United States and other nations. U.S. government officials say a nuclear test by India could be used by the Congress Party as a symbol of its political power.

Designing efforts to persuade the world's nuclear powers to sign a comprehensive test-ban treaty, China and France have tested nuclear weapons in recent months. If India follows suit, its neighbor, Pakistan, with which it has tense relations, may also test a nuclear weapon, government and civilian experts said. Neither country has signed the Nuclear Nonproliferation Treaty.

"It's going to have a nuclear snowball effect," said Gary Milhollin, director of the Wisconsin Project on Nuclear Arms Control in Washington and a leading civilian expert on the spread of nuclear weapons. "It also jeopardizes the possibility that the world will sign a comprehensive test ban treaty next year."

A State Department official, who spoke

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# EU Leaders, Nearly All for One Currency, Call It 'Euro'

By Tom Buerkle  
International Herald Tribune

MADRID — Setting aside doubts in their own minds about the feasibility and desirability of a single currency, European Union leaders on Friday affirmed their commitment to achieve monetary union in 1999 by approving a blueprint for the currency's introduction and agreeing to name it the Euro.

The decision did not directly address the growing skepticism about the ability of European governments to make the painful budget cuts in time to meet the 1999 target.

But with a push from the German chancellor, the leaders and senior EU ministers said they wanted to send a clear message of political determination to forge a single currency, a historic step that they insisted was essential to restoring Europe's economic confidence and ensuring its political stability into the 21st century.

"It's a triumph for the European Union," said Finance Minister Pedro Solbes of Spain, who shepherded the difficult negotiations during the past



New currency's name unleashes Euro-skepticism. Page 15

three months that led to the agreement. "Economic and monetary union will start on the first of January 1999."

Ruairi Quinn, the Irish finance minister, summed up the situation best:

The single currency "is all about politics," Mr. Quinn said. "Monetary union is the essential and necessary step toward political union. There could be unforeseen events that could cause problems, that could even cause delays, but it won't change the momentum toward a single currency."

The leaders did not discuss the social unrest in France, where public workers have been striking for three weeks to protest government austerity measures aimed at qualifying the country for the single currency. Yet the effect of the turmoil was evident in France's hesitation about the accord.

President Jacques Chirac sought to defer agreement on the currency's name by suggesting that the Union poll its citizens, officials said.

Prime Minister John Major of Britain, which has

See MONEY, Page 5

# The Provinces Spurn Moscow's Plaintive Plea for Votes

By Alessandra Stanley  
New York Times Service

KALUGA, Russia — This is how the government thought the parliamentary elections would work: Russia's powerful regional governors would gratefully join Prime Minister Viktor S. Chernomyrdin's party and recruit other local officials, who in turn would lean on factory directors who depend on government credits to support the party that holds the purse strings.

That was the theory. But this is what happened in Kaluga, a provincial town 190 kilometers (120 miles) south of Moscow: The governor, Alexander V. Deryagin, a liberal appointed by President Boris N. Yeltsin, declined the honor

of leading the pro-government party here. Just days before the elections Sunday, Mr. Deryagin impishly confided that he might vote for Mr. Chernomyrdin's rival, Yegor T. Gaidar, the architect of Mr. Yeltsin's early radical reforms.

When other, more tractable local officials solicited support from the Kaluga Tribune Works, one of the region's largest factories, the director, Valeri V. Pryakhin, laughed in their faces. He then told his 10,000 employees to support the Union of Labor, a makeshift alliance of trade unions and industrialists that leans mainly left — communism with a factory manager's face.

"The government owes my plant 17 billion rubles," or about \$3.7 million, Mr. Pryakhin said. "Why should I help them?"

This year's pivotal election will be decided not in Moscow or St. Petersburg but in Kaluga and cities like it. But the government's gamble that whatever the party lacks in popular support there will be offset by the total alignment of regional leaders does not appear to be paying off.

As Kaluga illustrates all too clearly, the prime minister's party, like the government itself, is hampered both by voters' disaffection and by the apathy of the very elites who were supposed to campaign in lockstep on Mr. Chernomyrdin's behalf.

On the eve of the election, Mr. Pryakhin and Mr. Deryagin alike predict that the Communists may win as much as 30 percent of the vote here.

"A third of our people are pensioners, and they live in the past," Mr. Deryagin said. "What do you expect? They blame this government for all their troubles now, and they have forgotten how horrible life was under communism."

Most older people in Kaluga do say they will vote for the Communist Party led by Gennadi Zyuganov. But many seem to be under a spell — not of amnesia, but of the wishful thought that second time around, the Communists will get it right.

See RUSSIA, Page 5



Vladimir Zhirinovski gesturing Friday during a press conference in Moscow.

# Europe's Soccer Stars Ponder Joy of Free Agency

By Ian Thomsen  
International Herald Tribune

LONDON — Deion Sanders, the modern American football and baseball star, sells himself first and the game second. He is not a role model but rather a commercial vehicle, a caricature by Madison Avenue. He taunts opponents, dwarfs teammates, and is guaranteed \$35 million in salary from the Dallas Cowboys plus endorsements. Someone like him is on his way to European soccer.

As expected, the European Court of Justice in Brussels declared illegal Friday the European system in which players whose contracts had expired were still owned, like commodities, by their clubs unless the team was paid

a negotiated transfer fee by a suitor club. No longer should a team maintain any right to a player after his contract has expired, the court said.

The player who instigated this revolt bears little resemblance to "Neon" Deion. Jean-Marc Bosman, a Belgian youth star, began his lawsuit five years ago when a series of ill-fated transfers doomed his career as a first-division player. He was effectively frozen out of the game, as implied by the European court ruling.

The decision leaves European soccer on the verge of "free agency," the system that has transformed American sport and given enormous power to star players.

The court also banned limits on the number of foreign players that can be held by each European club, another fundamental change. In Italy, home to the world's strongest soccer league, each club is allowed to dress no

more than three foreigners. If the court's ruling is carried out in line with European Union regulations, then nothing but their ability — or marketability — will prevent the best players from playing for the team of their choice.

Indeed, the best teams could end up having little in common with their constituency. AC Milan, for example, the strongest Italian club, could field 11 non-Italians.

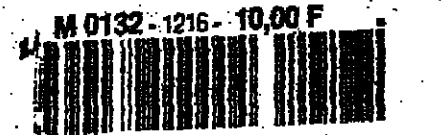
For some administrators, it's all too much. "The European Union is trying to destroy club soccer," said Lennart Johansson, the president of UEFA, the European soccer club federation. He claims to fear that poor clubs will wither away if deprived of selling players to larger clubs.

The answer, as any American fan will tell him, is for the

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Dow Jones		Treasury Index	
Down	5.42	Down	0.52%
5176.73		131.00	
The Dollar		Fut. Close	
New York	1.4433	1.4384	
Pound	1.5365	1.543	
Yen	102.025	101.485	
FF	4.9855	4.9825	

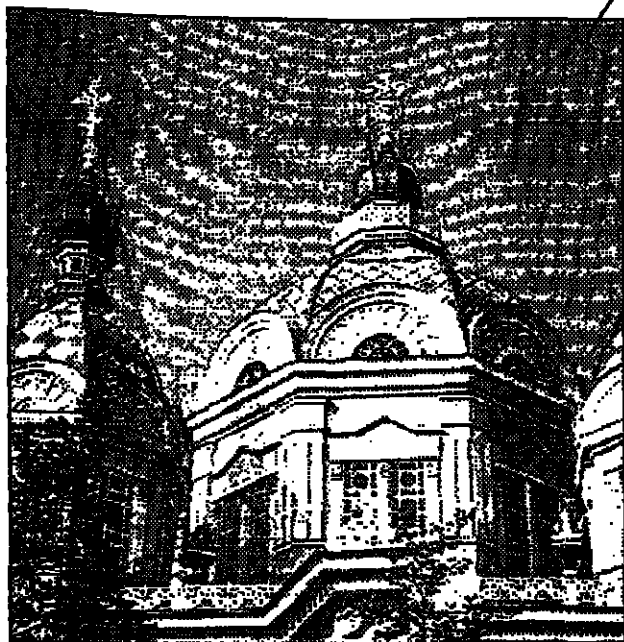
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The Almaty Orthodox Cathedral is one of the largest wooden religious structures in the world (above); the international fair ground and exhibition center in Almaty (right); the Medeo speed-skating rink - the largest in the world - 1,700 meters (1,860 yards) above sea level (far right).

# Kazakhstan



*Kazakhstan stands to benefit greatly from foreign investment. Economic indicators are positive, and opportunities for investors are plentiful. The largest stakes are in the oil and gas sector.*

## NEW PLAYER JOINS THE INTERNATIONAL BUSINESS WORLD

*Kazakhstan hopes to join the top economic ranks.*

After a certain amount of euphoria in 1994, significant changes were expected to take place during 1995 in the emerging independent Republic of Kazakhstan, the largest of the CIS's Central Asian Republics (it is the size of the whole of Western Europe, with a population of 17 million). It has vast oil and gas resources, which some believe could make it the "Kuwait of Central Asia" in the next century.

**Oil and gas**  
More than 50 oil companies have already invested billions of dollars in joint ventures exploiting the hydrocarbon resources. Five years ago, there were only about a

dozen U.S. companies active in the country; today there are around 100 - plus another 900 from other Western countries.

"Kazakhstan is an area of enormous potential, and its commitment to economic reform and an open market economy is creating favorable investment opportunities for foreign companies," says Lucien O. Noto, chairman and CEO of Mobil Corporation, a major investor in the republic.

There is further support from the World Bank: "Kazakhstan's long-term economic prospects are excellent, given its vast hydrocarbon and mineral resources, low external debt obliga-

tions, and well trained work force."

### Seesaw pace

Because of the country's extensive resources - gold, coal, copper, chrome and other strategic industrial minerals, as well as agricultural products - investors have many opportunities. Rebuilding and extending the infrastructure - roads, rail, telecommunications and power generation - are high on the agenda.

Unfortunately, the pace of socioeconomic and political reform slowed during the

first half of 1995, but the year has ended on an upbeat note with a period of stabilization and indications of possible growth ahead. Nursultan Nazarbayev, who became the republic's first president in 1990, has mainly been governing by decree since the dissolution of the parliament last spring. He says that referendums this year supported a new democratic constitution and an extension of the presidency until the year 2000.

Afterward, Mr. Nazar-

*Continued on page 13*

## PRESIDENT: TOWARD A MARKET ECONOMY

President Nursultan Nazarbayev, a former prime minister and First Secretary of the Republican Communist Party, became the Republic of Kazakhstan's first president in 1990. He began his career in a metal plant; later he graduated from college as an engineer and went on to become a doctor of science.

In an interview about his four years in office, President Nazarbayev comments on the problems of socioeconomic reforms, including privatization. However, he looks forward to a period of growth and stability as foreign investment begins to flow. Inflation is being brought under control, there is a positive trade balance, gold reserves are up, foreign debt is manageable at \$2.7 billion, and major banking reforms are in place.

Kazakhstan's mid-term future depends on its oil and gas exports. President Nazarbayev is outspoken about Oman's role in the breakdown in the Caspian Sea pipeline consortium. "Any further delay to the project will cause major damage to our economy," he says.

Recalling the words of former West German Chancellor Ludwig Erhard, the founder of post-war reforms in West Germany, President Nazarbayev says that the transition of Kazakhstan to a democratic, pluralistic society with a dynamic developing market economy means that the people have to go through the purgatory of reform "not just for the sake of the reforms themselves but so that they may emerge as a new nation."

"We are still feeling the burden of

the past, both economically and psychologically. However, much has been done to lay the path for the future. We can say with confidence that all the prerequisites are there - progressive legislation, higher education, and a good skill base among the population. We have huge natural resources: we have industrial and agriculture sectors with considerable export potential.

"It is not mere chance that Kazakhstan, out of all the CIS and Eastern bloc countries, has obtained the largest share of new investments over the next 10 years. According to United Nations data, we are receiving \$47 billion out of a total of \$103 billion which is to be invested in the former communist countries. This means that these investors trust us and believe in our future. It is a trust that shall not be taken in vain.

"As we near the end of 1995, we can see that it has been a year of great change for us in many respects. Through our reforms, and the assistance of international financial institutions and their programs, we have stabilized our macro-economy. Next year we will enter a period of growth.

"We are keeping within the national budget and have now brought inflation under control. In the 12 months ending last October, inflation has fallen from 125 percent to 50 percent... we do not expect it to exceed 12 percent by 1998. During the last nine months of



President Nursultan Nazarbayev

*Continued on page 13*

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# ASEAN Treaty Bars Nuclear Arms as Big Powers Demur

By Michael Richardson  
International Herald Tribune

**BANGKOK** — Southeast Asian countries formally signed a treaty Friday banning nuclear weapons from the region, but major objections by the five declared nuclear powers threaten to undermine its effectiveness.

Western officials said the treaty establishing Southeast Asia as a zone free of nuclear weapons differed from similar regional pacts in the South Pacific and Latin America because it included 200-mile (320 kilometer) offshore Exclusive Economic Zones and extensive areas of continental shelf under the sea, where national jurisdiction normally is confined to ownership of economic resources and imposition of environmental controls. They said that Britain, France, the

United States and, to a lesser extent, Russia were concerned that this could place new restrictions on the right of free passage through the zone's seas and airspace for their nuclear-powered or nuclear-armed vessels, or aircraft carrying nuclear arms. China — the fifth declared nuclear power — objects to the zone's inclusion of large areas of the South China Sea that it claims.

Southeast Asian officials said the 10 states that signed the treaty had pressed ahead despite objections from the big powers because the agreement provided reassurance that no country in the region would acquire or develop nuclear arms.

In Northeast Asia there are concerns that a nuclear arms race could occur if any country there followed China and developed nuclear weapons. In South

Asia, India and Pakistan are both said by Western intelligence sources to have operational nuclear weapons or the capacity to build them quickly.

Southeast Asian officials said the signing of the treaty by the leaders of Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam was also intended to increase pressure on nuclear weapon states to sign a global pact in 1996 banning all testing of such weapons, and hasten nuclear disarmament.

Prime Minister Banham Silpa-archa of Thailand, who led the Bangkok meeting, said the treaty would "guard against the scourge of nuclear weapons in the region" and help prevent the spread of nuclear weapons. The treaty prevents signatories from making, possessing, storing or testing

nuclear weapons, and commits them to put any peaceful nuclear power project under strict international safeguards and to ensure that it is not associated with any clandestine military program.

"It means we don't get the North Korean problem," said one official, referring to Pyongyang's attempts to develop nuclear weapons under cover of an atomic energy program.

Officials said that the Southeast Asian countries would not change the terms of the treaty but had agreed to review its protocol to see whether the concerns of the big powers could be accommodated.

Negotiations with those powers are expected to resume early in 1996 before the treaty is ratified by 7 of the 10 signatories and takes effect, probably within the next six months.

But fashioning compromises that would enable the nuclear powers to accede to the supporting protocol will probably be difficult.

A.U.S. official said Friday that apart from concerns over the inclusion of Exclusive Economic Zones and continental shelves in the treaty, Washington was also worried that ambiguous drafting of the pact could open the way for some regional states to challenge the right of other states in the area to allow port visits and landing rights to ships and planes of nuclear powers unless prior assurances were given that they did not carry nuclear arms.

For security reasons, the United States and other nuclear powers will neither confirm nor deny that their ships and aircraft are carrying nuclear weapons.

## BRIEFLY ASIA

### Murayama Settles Mercury Case

**TOKYO** — Prime Minister Tomichi Murayama apologized Friday to victims of mercury poisoning in Minamata Bay and effectively tried to put an end to the four-decade-old case.

Mr. Murayama also acknowledged the government's responsibility in failing to take steps to halt the spread of the crippling disease, which was first reported in the 1950s among people who ate seafood contaminated with organic mercury compounds dumped into Minamata Bay, south-western Japan.

"After 40 long years, we are now finally seeing the settlement of the Minamata disease dispute, an illness which has often been referred to as the first disease caused by pollution," he said.

Mr. Murayama, who was speaking to reporters after the cabinet met to approve a final compensation plan for mercury poisoning patients, also issued a statement extending "condolence toward those who have died in pain." (Reuters)

### Japan Upholds Fingerprinting

**TOKYO** — An American missionary who challenged the Japanese law forcing foreigners to be fingerprinted lost the 14-year-old case Friday when the nation's highest court struck down his appeal.

The Supreme Court upheld the statute, saying that since the procedure involved only one finger, "that should not cause excessive psychological or physical pain."

The five-judge panel largely ignored the claim by the missionary, Ron Fujiyoshi, that such fingerprinting was a violation of human rights.

The law has long been a symbol of discrimination against ethnic Koreans, Chinese and other non-Japanese, including some whose families have been in Japan for generations.

Critics say the practice suggests a similarity between foreigners and criminals, the only other group whose fingerprints are required.

"It's not just a matter of fingerprints," said Katsuyuki Kumano, Mr. Fujiyoshi's lawyer. "The court ignored the human rights issue by turning it into a privacy issue. How can they not understand how much young Koreans living here are hurt by this system?"

Mr. Fujiyoshi, a Japanese-American, now has to pay the penalty for refusing to be fingerprinted: 10,000 yen (\$100), or its equivalent in labor. (AP)

### North Korea Signs Nuclear Deal

**NEW YORK** — North Korea and a U.S.-led consortium signed a \$4.5 billion deal Friday to provide the North with two modern nuclear reactors promised under a 1994 accord in which it froze its nuclear program.

The agreement ends more than three years of tough negotiations on replacing North Korea's suspected nuclear program with a safer one that produces far less weapons-grade plutonium.

Ambassador Ho Jong of North Korea signed the deal with Stephen Bosworth, head of the Korean Energy Development Organization, which was formed this year to finance the project.

Its principal financiers are South Korea, Japan and the United States. South Korea will bear most of the cost, though Japan has promised to play "a substantial role" in financing the two 1,000 megawatt reactors, which are expected to be completed by 2003. (AP)

## Kim Picks Career Academic As His New Prime Minister

Reuters

**SEOUL** — President Kim Young Sam of South Korea appointed a top legal scholar as his new prime minister on Friday, underlining his efforts to promote the rule of law in a country rocked by a corruption scandal.

Lee Soo Sung, a career academic and president of Seoul National University, the country's major educational institution, will replace Lee Hong Koo after parliamentary approval, a presidential spokesman said.

The spokesman, Yoon Yoo Joon, said the replacement of the prime minister was the first step in a sweeping cabinet shuffle expected for Saturday or Monday.

"The selection is aimed at achieving the great future-oriented task of correcting the country's history," he said, referring to Mr. Lee.

On Monday, Roh Tae Woo, a former president, and eight of the country's leading businessmen are to go on trial for corruption. Mr. Roh's predecessor, Chun Doo Hwan, who is in de-

tention, is also expected to be charged with corruption, as well as for military mutiny stemming from a 1979 coup.

The designated prime minister, Mr. Lee, 56, has spent most of his adult life at Seoul National, where he earned his first law degree, his master's degree and doctorate before rising through the faculty to become dean of the law college. He was promoted to university president in March.

Critics said Mr. Lee's lack of experience as an administrator and politician could be a problem as he tackles the crisis and leads the government into general elections next year.

"Lee is a rational person with a spectacular scholastic background, but I am worried about his ability to maneuver the political crisis," said Lee Hahn Ku, president of Daewoo Research Institute.

The governing party was badly beaten in local elections this year and is believed to be heading for another electoral disaster.

Other commentators were more hopeful about Mr. Lee's

prospects. Kwon Moo Soo, dean of Kookmin University's law school, said, "Lee is known only as a nerd who has spent his life in academia. But he has been an excellent civil activist who has contributed greatly to democratization."

Choi Jong Go, a Seoul National law professor, said of his colleague, "He has always focused on virtue and cultivation of the mind."

And Lee Keun Mo, head of research at Barings Securities, said, "I think the existing feeling among the people is that all politicians are crooks and Kim is trying to send a message that this is a new era."

Analysts noted that since several members of the cabinet are expected to run for Parliament next year and must first step down, the president has a chance to add men to his team who are untainted by the scandals.

Mr. Kim first asked Mr. Lee to lead his cabinet on Dec. 4, the spokesman said. "But the announcement was delayed until today as Lee had persistently refused to take up the post."



Lee Soo Sung, head of Seoul National University, receiving congratulations after being named prime minister.

## Lisbon Terms Indonesia Dictatorship

Agence France-Presse

**TOKYO** — President Mario Soares of Portugal said Friday that the world should stop ignoring human rights abuses by Indonesia, which he said was behaving like "a ferocious dictatorship" in East Timor.

"The Timorese youth is oppressed, human rights are not respected, people are jailed for their opinions, Indonesia is a ferocious dictatorship which does not respect human rights, as everyone knows," Mr. Soares said in an interview.

"There is huge international hypocrisy. Since Indonesia is a major power in the Third World, this dictatorial position enjoys respect," continued Mr. Soares, who was in Tokyo for a meeting of the independent world commission on oceans.

Stressing that East Timor was "invaded by military force" in December 1975 and then "illegally annexed," Mr. Soares said the only solution was free elections in Timor.

Despite the Indonesian presence, the United Nations recognizes Portugal as the ruler of the region, a former colony.

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## INDIA: Nuclear Test?

Continued from Page 1

on condition of anonymity, said that if India exploded a nuclear bomb, it would be "a serious setback to nonproliferation efforts."

"The United States is committed to the early completion of a comprehensive test ban," the official said.

"We are observing a moratorium on nuclear testing and we have called upon all nations to demonstrate similar restraint."

But not all nations have heard the call.

India says publicly that it wants the complete elimination of nuclear weapons. But its nuclear hawks argue that the United States and Russia will never live up to that ideal and that a comprehensive test ban not linked to drastic reductions in the world's nuclear arsenals could leave India a third-rate nuclear power.

Mr. Milhollin said India did not have a great archive of test data for nuclear weapons that could be mounted on a warhead and placed on a missile. "Once the test-ban treaty comes in, they will be data-poor," he said. "A test now would supply them data, it would be a tremendous plus for the Congress Party, it would give them a big boost in the elections."

Political pressure for a nuclear test is building among India's right wing. "They are saying: 'What are we sitting around for? Why should we sign a test-ban treaty not linked to the reduction of nuclear weapons?'" said Selig S. Harrison, an expert on South Asia at the Carnegie Endowment for International Peace.

In 1974, India exploded what was believed to be a Hiroshima-sized bomb equal to 12,000 tons of TNT, which it called a "peaceful nuclear explosion." It renewed its program some years later.

# Iraqi-Bound Shipment of Missile Parts Originated in Russia

By R. Jeffrey Smith

Washington Post Staff Writer

WASHINGTON — United Nations investigators have determined that an Iraqi-bound shipment of sophisticated equipment seized by Jordanian authorities last month was built in Russia and may have been designed for use in long-range missiles, according to diplomats.

The shipment, valued by the United Nations at more than \$25 million, was seized on a Western government's tip days before it was to be shipped to Iraq, the sources said. They said it consisted of around 100 sets of guidance equipment, such as accelerometers and gyroscopes, which Iraq may have wanted to use in banned missiles capable of carrying chemical or biological warheads.

The equipment was shipped in 30 or so boxes to Amman in August on flights that originated in Moscow, according to three diplomats. But Washington is uncertain whether the export was sanctioned by the government or was the work of criminals.

If it is confirmed that the equipment was meant for use in long-range missiles, it would mark the first occasion that such advanced missile technology had been exported from Russia to a country considered hostile to U.S. interests.

If the export was approved by Moscow, it would be a violation of Russia's pledge to abide by the terms of the Missile Technology Control Regime. It would also violate Russian promises to adhere to the trade embargo imposed on Iraq after the Gulf War.

If the Russian export was illicit, it suggests

that long-standing U.S. fears that such arms technology would eventually leak from Russia are being borne out, a U.S. official said on condition he not be named. He said there was a "very real" possibility that the shipment was provided by black marketeers who obtained it from the Russian military's stockpile.

Although the Clinton administration has not raised the matter directly with the Russian government, the Ministry of Foreign Affairs in Moscow last week denied any knowledge of the shipment. U.S. and UN officials said the denial was not credible, however, because the parts were clearly marked and recognizable.

Documents obtained by the United Nations indicate that the missile parts had been ordered by the Karama research center near Baghdad, where Iraq continues to work on missiles with a range of less than 150 kilo-

meters (about 90 miles). Such missiles are approved by the United Nations, which sought only to prohibit weapons capable of directly threatening Iraq's neighbors.

But Iraq has not claimed it was trying to buy the parts to use with such short-range missiles; instead has sought to pin the blame for the attempted export on an overly enthusiastic Jordanian businessman who it claims tried to sell the banned parts on at least two occasions this year without ever receiving an Iraqi offer or negotiating a contract.

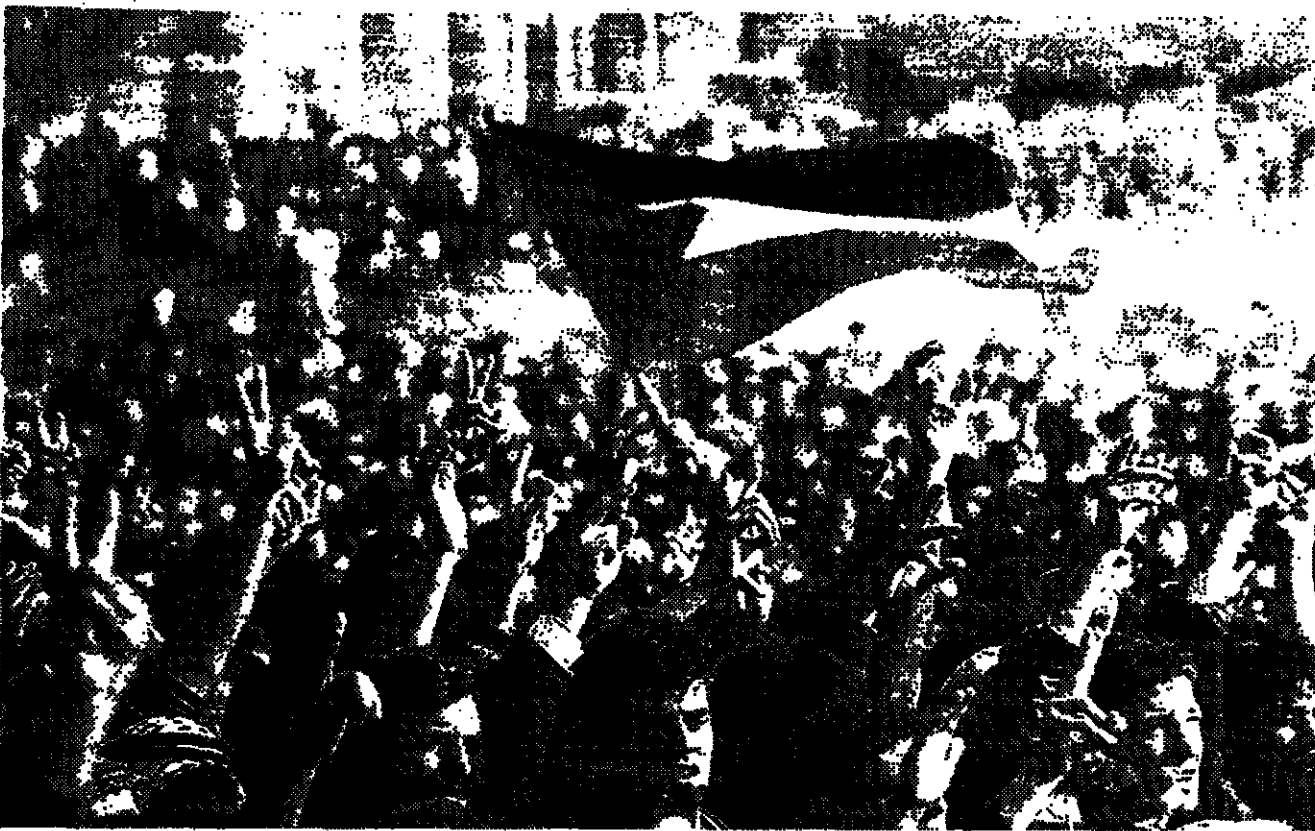
"The Iraqi industrial facility refused this offer categorically, in compliance with United Nations resolutions," the official Iraqi press agency said in a statement last week.

Deputy Prime Minister Tariq Aziz, who is visiting the United Nations this week to seek

an early lifting of the punitive trade embargo, told UN officials Tuesday that the seller had been arrested by the government pending a full investigation. He also said the incident had resulted from a conspiracy to undermine Iraqi cooperation with the United Nations.

A diplomatic source identified the businessman as a Palestinian from Gaza named Wiyam Abu Charbieh, and said his company's name was listed on the shipping manifests for the equipment.

U.S. officials said Iraq may have wanted to use the guidance equipment on banned medium-range missiles, which they suspect remain hidden in Iraq. Alternatively, Iraq may have wanted to stockpile the equipment until it could produce other vital long-range missile components, which would require years to complete.



UNFLAGGING FERVOR — Banner-waving Palestinians welcoming Yasser Arafat, chairman of the Palestine Liberation Organization, to Nablus on Friday after Israel withdrew its troops from the West Bank town after 28 years.

## Soccer: Joys of Free Agency

Continued from Page 1

small club to sell off young talent before the contract expires. Free agency is likely to drive up the price, so the wisest small clubs should benefit. Johansson could protect the others by negotiating with the unions a minimum age for free agency, similar to that in baseball. Say, perhaps, that a player could be transferred under the old system until he reached 20 or 21.

"The message from us is: 'Don't panic—let's get around the table and talk,'" said Graham Kelly, head of the English Football Association, which oversees the 92 clubs in England. "Hopefully there will be a period of discussion with the European Commission, as they presumably have the task of implementing the judgment we have heard today, and there will be chance for negotiation between the players' unions and UEFA, representing the national associations such as ours. The implications of the judgment have to be talked through and considered."

Meanwhile, other sports federations are wondering when their day will come. All of the other professional games in Europe are founded in transfer fees and limitations on foreigners.

"On the one side there is the philosophy of free movement for the player, and on the other side is the sport's philosophy of trying to protect the national programs," said Florian Wanner, a spokesman for FIFA, the international basketball federation based in Munich. "We would like to stick to our rules. But if one player were to step up and put us in court, I don't know what would happen."

Many federations have been predicting chaos for soccer, since the court's preliminary ruling was made three months ago. But their outcries weren't echoed by Europe's leading clubs, which hope to profit from the new order.

Much will depend on the strength of the player unions in each country.

If the players are to make the most of their newfound freedom, they must form a single voice as strong as that of UEFA.

Bosman is seeking 30 million Belgian francs (\$1 million) in lost earnings and compensation from UEFA and the Belgian soccer union, claiming he has been blacklisted from the sport.

At 31, and not having played during the five years of litigation, he is hoping to return for two or three seasons with a lower-division club.

## Austrians Go to Polls Sunday

Reuters

VIENNA — Austrians will vote Sunday in an election triggered by the collapse of the 11-month-old coalition government in October.

The grand coalition between Chancellor Franz Vranitzky's Social Democrats and Foreign Minister Wolfgang Schüssel's conservative People's Party fell apart just a year after the last general election in a dispute over the 1996 budget.

It was the shortest administration of the postwar Second Republic.

Opinion polls showed the Social Democrats getting about 31 percent support and the People's Party 29 percent.

But the latest polls gave the Social Democrats a more decisive lead, with 34 percent, ahead of its coalition partner's 28 percent support.

Jörg Haider's far-right Freedom Party has maintained a stable 24 percent to 25 percent backing.

## MIDEAST: U.S. Is Encouraged

Continued from Page 1

15th trip to the Mideast as secretary of State is that it is no longer a question of whether Syria and Israel will make peace but how — how to negotiate in a way that requires neither to yield in advance on issues of principle.

U.S. officials said this is one of those moments in diplomacy when procedure is the same as substance: A question of who should negotiate, in what form and by what ground rules is as important as the issues themselves.

There is no pattern for such situations, one senior official said.

In the Bosnia peace negotiations in Ohio, he said, people who had known each other for years and spoke the same language were able to drop into each other's quarters at night

and raise issues in an informal way.

Such an environment would not be appropriate for the Israelis and Syrians, he said.

Mr. Christopher and other U.S. officials said the assassination of Mr. Rabin has somewhat convinced Mr. Assad that it is time to move quickly toward a regional peace — not just peace between Israel and Syria, but peace that would include Saudi Arabia and other Arab states that are willing to enter the fold but have been waiting for Syria's lead.

"Under some circumstances the assassination of the prime minister might have thrown the peace process off track but under these circumstances it seems to have caused the parties to rededicate themselves to the process with even more determination," he told reporters aboard his plane.

## RUSSIA: Provinces Rebuff Moscow's Appeal

Continued from Page 1

"One thing I don't want back is the awful waiting in lines for bread, for everything," said Sofia Yegorova, 51, a former kindergarten teacher who blames the government for closing her school and forcing her into early retirement on \$50 a month.

"Before, the Communists at the top were covered in fat," she said. "They kept everything for themselves. Democracy showed all their mistakes, and the new Communists will not allow things to go back the way they were."

There are other people of her generation, ones who have made a go of economic reform, who vehemently distrust the Communists, new and old. But they share a deep distrust of the existing powers that be.

"Of course things are better now," said Miralida Kalabanova, 42, a poultry seller in Kaluga's bustling central market, poking at her wares. "To get one lousy chicken leg like this, I once had to go all the way to Moscow. Why would we want to go back to that?"

Before finding her current job, Mrs. Kalabanova said, she

was twice laid off from state-owned factories that collapsed shortly after communism did four years ago.

She said she was content with her income of \$180 a month, but certainly did not credit the government with her success.

"Chernomyrdin keeps making promises," she said scornfully. "He already has power, so why can't he keep them?" But there are officials in Kaluga who are working hard to coax angry voters to back the pro-government party. Our Home is Russia.

Most notable is the popular mayor, Anatoli Minakov, who is taking advantage of his office — and the coincidence that the party's local candidate shares the same name — to push Viktor Minakov onto voters' ballots.

"By law I am prohibited from campaigning," Mr. Minakov said with a twinkle, "so unfortunately, I have to help him in a clandestine manner."

■ **Zhirinovskiy Aims West**  
Vladimir V. Zhirinovskiy, the nationalist leader fighting to keep his supporters from drifting away to rival groups,

## Yeltsin, Ending Seclusion, Warns Against Communists

By Alessandra Stanley

New York Times Service

MOSCOW — Breaking weeks of silence about Russia's parliamentary elections, President Boris N. Yeltsin came out of his hospital seclusion Friday night to make a dramatic last-minute warning to voters that a Communist victory Sunday would inexorably return Russia to the cruellest excesses of its Soviet past.

"This is not the light at the end of the tunnel," Mr. Yeltsin said in his 12-minute speech, which was taped at the sanatorium where he is recovering from a heart attack. "Most probably it is a reflection of new and more horrible fires of a civil war."

Alarmed by polls that suggest the Communists will win the largest share of seats in the legislature, the Russian government is hurriedly painting these elections as a stark choice between democracy and totalitarianism. As the day of reckoning approaches, Mr. Yeltsin, his wife, his senior aides and even his shadowy chief of security have spoken out to remind voters about the worst of times.

"You should not allow the country to be taken back to the time when everyone was told what to think, what clothes to wear, what hairstyles to have and what songs to sing," Mr. Yeltsin said, trying to rattle young voters, who vote in far smaller numbers than their parents and grandparents. "Freedom is like air, you do not notice it when you have it, but its absence will be felt immediately."

The appearance Friday night was Mr. Yeltsin's first public address since he was hospitalized in October after his second heart attack in four months.

Mr. Yeltsin's TV appearance was followed almost immediately by one by Prime Minister Viktor S. Chernomyrdin, who heads the government's party, Our Home is Russia.

He, too, asked voters to spurn Communist advances. "Shall we again shake up our country, blinded by the struggle for total equality for everyone?"

Russian election law prohibits campaigning or political advertising after Friday. On Thursday, the president's reticent and camera-shy wife, Naina, spoke up at a medical exhibition in Moscow and reminded her audience of how bad health care was under communism. "As late as the 1960s, children didn't see fruit from one year to the next," she said.

The oddest campaign pitch of all was that of Alexander Korzhakov, Mr. Yeltsin's bodyguard and powerful chief of security, who gave a rare television interview on the

state-controlled network ORT on Thursday night.

Mr. Korzhakov, who is often described as a secretive, Rasputin-like figure in the Kremlin and almost never grants interviews, chatted amiably about his family and his 10-year friendship with Mr. Yeltsin with the talk show host Vladimir Pozner.

Mr. Korzhakov, too, warned against a Communist victory and confided that while his wife favored Mr. Chernomyrdin, he would personally vote for Ivan Rybkin, the speaker of the Parliament and the leader of a flagging center-left bloc that was created with Mr. Yeltsin's blessing as part of the government's scheme to foster two broad centrist parties.

## New York Suspect Clears Subway Arson Movie

New York Times Service

NEW YORK — An 18-year-old Brooklyn man has been arrested in a fatal attack on a subway token clerk last month in which the killers set fire to his booth after spraying it with a flammable liquid. As many as four other people are being sought in the attack.

Investigators and political officials had suggested that the Nov. 26 attack was inspired by the movie "Money Train." But the police said Thursday night that the suspect, James Irons, told them he knew nothing of the film before the attack and its scenes of a pyromaniac setting fire to subway token booths.

"There is no evidence at this point that 'Money Train' bore any relationship to this case," Charles J. Hynes, the Brooklyn district attorney, said at a news conference.

Mr. Irons, who was charged with second-degree murder, lived with his parents and three brothers and a sister in the Bedford-Stuyvesant section of Brooklyn, where the incident took place. Charles G. Reuther, chief of detectives, said that an informant led an officer in a nearby precinct to Mr. Irons.

The victim of the attack, Harry P. Kaufman, a 50-year-old clerk who suffered second- and third-degree burns from his head to his knees, died Sunday. Investigators said Mr. Irons had told them that Mr. Kaufman was killed because he refused to open his booth and surrender money to the five thieves.

The attack was the first of eight similar incidents in subway stations across the city since then.

## MONEY: EU Leaders Baptize Currency — the 'Euro'

Continued from Page 1

declined to commit itself to taking part in a single currency, issued his bluntest warning yet that it could permanently divide Europe by creating a "privileged elite" of countries that participate. That, he warned, would risk a breakdown of the bloc's single market and pose an insurmountable barrier to the EU membership ambitions of the Eastern European states.

But their concerns were quickly overcome by an emotional intervention by Chancellor Helmut Kohl of Germany.

Mr. Kohl said the leaders needed to draw inspiration from the signing of the Balkan peace agreement in Paris the day before, where the presidents of

Serbia, Croatia and Bosnia-Herzegovina overcame their own distaste for the accord in the broader interest of peace.

Monetary union is a vital step toward Europe's eventual political union, Mr. Kohl said. "And political union is about freedom and peace," he added, according to an official present at the meeting.

The EU leaders also agreed to begin negotiations on reforming EU governing structures to enable the bloc to expand into Eastern Europe with a special summit meeting in Turin on March 29.

But they remained divided on the reforms themselves as well as the pace and scope of expansion, with Scandinavian countries pressing to begin ne-

gotiations with all 10 prospective Eastern members and Germany, seeking to start first with Poland, the Czech Republic and Hungary.

The leaders, who are to meet the heads of government of the Eastern states here Saturday, were expected to agree on a formula linking the start of negotiations on a European Commission assessment, sometime in 1997, of which Eastern countries have carried out sufficient economic and political reform.

The agreement Friday will enable EU finance ministers and central bankers, as well as private banks and companies, to start the detailed technical work needed to introduce the currency in stages between 1999 and 2002.

## BOOKS

### THE RIGHT TO PRIVACY

By Ellen Alderman and Caroline Kennedy. 405 pages. \$26.95. Knopf.

Reviewed by Bill Farrell

THE U.S. Constitution does not contain the word "pri-

vacancy." Nevertheless, the Supreme Court has recognized a constitutional right to privacy that protects a collection of related rights ranging from a parent's right to send his or her child to private school to an adult's right to marry and a woman's right to obtain an abortion.

Years ago Justice Louis Brandeis proposed a far more expansive vision of the right to privacy, which he described as "the right to be let alone." In their new book, lawyers Ellen Alderman and Caroline Kennedy, co-authors of a layperson's guide to the Bill of Rights called "In Our Defense," argue that the majority of Americans

share Brandeis's view. Yet, as a practical matter, the right to privacy as Brandeis defined it is not a right at all; standing alone, it lacks any force of law, offering no legal protection to those who would invoke it.

Thus anyone wishing to vindicate a privacy interest embraced by the Brandeis ideal must turn to the hedgepodge of legal guarantees from disparate sources — the federal and state constitutions, various federal and state statutes, and certain judicial precedents — that protect some aspects of privacy. In many instances, the person seeking relief discovers that either he or she has no legal grounds upon

which to request redress or that other interests override his or her privacy concerns.

Alderman and Kennedy examine the state of the Brandeis ideal in American society by measuring it against the divergent legal protections actually available for different elements of privacy. Breaking privacy down into distinct categories, such as "Privacy v. Law Enforcement" or "Privacy v. the Press," the authors devote a section to each. They further divide each category into a number of subcategories, which usually involve a detailed discussion of an illustrative case, immediately followed by a "Passing Judge-

ments" section — thumbnail sketches of cases involving similar issues but not necessarily having similar outcomes.

It's a fortunate choice of format, allowing the authors to provide the reader with a solid sense of the many issues involved with privacy questions while (through the "Passing Judgments" sections) giving a strong impression of the degree of flux in the law surrounding each controversy. In analyzing the legal issues suggested by each case, the authors set forth easily understood explanations in simple language. They also explore the "real world" concerns and effects each case en-

tails. As a result, they neither forget nor allow their readers to forget that these cases affect real people, sometimes profoundly.

Those interested in a rigorous philosophical approach to jurisprudence will find "The Right to Privacy" disappointing. Certainly no one should read this book as preparation for arguing a privacy case before the U.S. Supreme Court. But anyone hoping to understand the sometimes precarious state of privacy in modern America should start by reading this book.

Bill Farrell, an attorney and writer, wrote this for The Washington Post.

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# Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

## Unruly Russian Reform

The course of reform in Russia has been disorderly, and there is no reason to think it will be less so after Sunday's parliamentary election. A dizzying array of parties and candidates is competing for the 450 seats in the state Duma, or lower house. Many of them are committed to slowing reform, some are sworn to ending it.

The Communist Party, so recently disgraced, seems positioned for a comeback. Nationalist candidates look strong in many districts. The centrist political party of President Boris Yeltsin and Prime Minister Viktor Chornomyrdin seems as likely as its leader.

This is not the straight line to stability that Russians might have wished for when the Soviet Union disintegrated four years ago, or that Americans might have imagined as they watched Russia discard centuries of autocratic rule.

But as some of Russia's erstwhile allies in Central Europe have already shown, the passage from tyranny to democracy is going to be long and uneven, and democratic elections will not always produce democratic leaders. Communists of one stripe or another have returned to power through elections in Bulgaria, Hungary and, most recently, in Poland. Russia could be next. This is cause for concern, but not despair. Russia is not in danger of slipping back to Stalinism, nor is the Cold War about to resume, even if the Communists win the largest bloc of seats.

Political and economic reform has already transited sufficient ground to make some change virtually irreversible, including the transfer to private ownership of much of Russia's economy and property.

For better or worse, every major political party has a stake in the widespread redistribution of wealth that is going on in Russia. As John Lloyd of the Financial Times observed at a recent symposium

organized by Harvard University's Kennedy School of Government, the election is really about who will control that redistribution, not whether it will stop.

The elections themselves are the surest sign that reform is sticking. The Communist Party will only do as well on Sunday as Russian voters say. That is not a system Lenin would have endorsed.

Russians, like Americans, are anxious about economic uncertainty, and there is much to be uncertain about in Russia. Although inflation has stabilized and the economy shows signs of growth, income inequities are glaring and widening. Some Russians have made a fortune in the free market or through the acquisition of government assets. Many others live austere lives, and too many, especially the elderly, have fallen into desperate poverty.

The discontent over economic hardships has been compounded by a loss of national pride as Russia's international status has slipped from superpower to second-rate power. Crime of all kinds is rising. Add to that Mr. Yeltsin's erratic leadership, particularly his disastrous military campaign in Chechnya, and it is not hard to see why many Russians would be drawn to the soothing promises of Communists and nationalists, who preach order and a revived empire.

Under Russia's new constitution, Parliament is overshadowed by the presidency. Unless one party or a coalition of parties can control two-thirds of the seats, the number required to override presidential vetoes, the legislature cannot itself change the direction of Moscow's domestic and foreign policies. But in tandem with presidential elections scheduled for next June, the vote this Sunday will help determine whether Russia is ready to accelerate or slow reform.

—THE NEW YORK TIMES.

## Following a Trail of Blunders to Bosnia's Trenches

By A. M. Rosenthal

NEW YORK — And now it has come about. As always, air bombardment has led to commitment of ground forces.

At any hour, American troops will enter winter trenches to risk their lives in Bosnia. They will be there because of the arrogance, errors and misjudgments of Western diplomacy; the murderous hatreds of the people they will be trying to lead to peace, and because of certain political personality traits of their commander in chief.

At home, American leaders have no choice for the time being but to see that the U.S. forces are fully armed. But they do not have the right to conceal from the troops the truth about the origins of the war, and how the president did what he said he would not do: send Americans into the clear danger of combat in Bosnia.

History counts; yesterday's is today's, and tomorrow's. In 1991, the West prepared the way for war by submitting to German demands for a quick recognition of an independent Croatia when Yugoslavia broke up. Germany has a cozy feeling about Croatia, dating back to their alliance during World War II.

Alija Izetbegovic, president of Bosnia, had warned that if Croatia was recognized, Bosnia would have to declare itself independent immediately. And Bosnian Muslims said that the Bosnian Serbs, one-third of the population, would fight rather than find themselves in a new country run by Muslims and Croats.

The West went ahead anyway. Bosnia was created and the

Bosnian Serbs, aided by Serbia, went to war to stay out. So, four years later, sure enough, here come the Americans to measure the trenches.

Bosnian Serbs' atrocities brought world opinion against them. They had a good political case, but among the throats they cut was their own.

Bosnian Serbs will be in the war-crimes docks and so will some Muslims and Croats. My candidates are two men heavily responsible for the carnage — President Slobodan Milosevic of Serbia and President Franjo Tudjman of Croatia, old-time Communist backs who share a taste for what smells like fascism. But Mr. Milosevic is America's chief negotiating partner now, and Mr. Tudjman is America's ally, gathering in the chips. They won't be in the dock — or trenches.

Candidate Clinton said one thing, President Clinton another. But the administration did believe and pray that this mess America should stay out of.

Well, we know Mr. Clinton — he changes his mind. He thought he was losing face and credibility — the oldest and worst reason for taking a country to war.

It does not seem to have come across in the White House that when a president changes his mind in foreign affairs, people suffer, and the world remembers. Mr. Clinton broke his word about using tariff pressure to get Beijing to ease its arrests and tortures. Naturally, ever since the Communists have been ar-

resting and torturing more dissidents. Mr. Clinton's change on Bosnia will change some American lives, unto death. He says now he always was in favor of supporting peacekeeping with U.S. troops. But American troops are smart enough to see that this is not peacekeeping.

If it were just that, it would need a large foreign army, including about 20,000 Americans in Bosnia. No such "peacekeeping" has ever been suggested anywhere else.

This is enforcement — of a

partition that could have been obtained years ago, if Western politicians and intellectuals had not become so fascinated with the mirage of a "unitary" Bosnian state that had never existed.

Then at the last minute, Mr. Clinton had another mind change. He accepted Senator Bob Dole's demand that the United States arm the Muslims while its troops are supposed to be keeping the peace between them and the Bosnian Serbs.

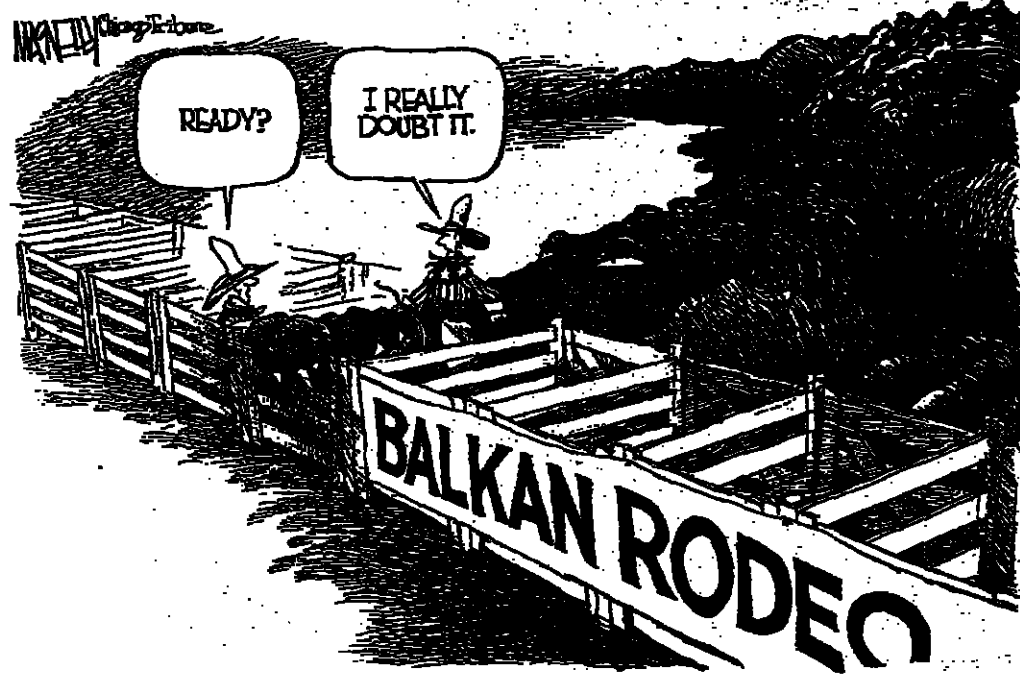
This neatly guarantees that the Bosnian Serbs will see Americans as the enemy. But, lucky Bill again: It also means that

between Mr. Clinton and Mr. Dole, his likely Election Day opponent, any difference on Bosnia is erased.

Mr. Clinton says he had to order in the troops for the sake of the North Atlantic Treaty Organization. Otherwise, presumably, its members would get so mad they might not ask America to send its forces the next time a corner of Europe gets itself in trouble.

Maybe that thought will warm and comfort American troops in Bosnia more than it does their relatives at home.

The New York Times.



## Irresolute on Troops

This is the Congress and these are the Republicans who, you will recall, loudly insisted that President Bill Clinton should consult them on Bosnia. So how did these worthies respond once he did? They finally came down on the side of supporting, or at least tolerating, his already-taken decision to add Americans to the troops of 29 other countries trying to keep the peace. But they did this as much by default as by decision and in a manner that makes Congress look even less resolute than many legislators think the president himself has looked in the past on this issue.

It's one thing that some in Congress voted against the dispatch of American forces. We think the troops are being sent to serve important American interests of European stability, Atlantic cohesion and American global leadership. But we can understand outright opposition. The Bosnia issue has been tangled and difficult from the start, and there was always a case to be made — in our judgment a wrong case — for staying out. Senator Phil Gramm and like-minded others deserved to lose on the merits. But at least they voted, presumably, the way they believed, and they stand to pay politically if things work out more or less well.

As for those who said the mission was wrong but refused to vote their ostensible conviction, that's another story. This category includes large numbers in the House and lesser numbers in the Senate. These folks wanted to have it both ways: to avoid responsibility for a bad outcome in Bosnia but to share in the political fruits of a good

outcome. For the first purpose they found language of presidential repudiation, and for the second they invented and embraced a weaselly category called "supporting the troops." In short, they said the mission was not worth fighting for, and then they offhandedly accepted that American soldiers should be sent to fight for it.

President Clinton needed to prevail on the Bosnia vote. Bob Dole made it happen. In supporting the president, the Senate majority leader was prepared to court the embarrassment of being seen, in his presidential campaign, as unable to deliver even half of his own party on a limus post-Cold War issue. Not only that: He crafted a useful amendment combining the United States to see that Muslim Bosnia is adequately armed and trained when the peacekeepers go home.

Does this provision call Washington its "neutrality"? The amendment calls on the United States to act not alone but with allies. The peace agreement itself anticipates a Muslim buildup as well as a Serbian build-down as an instrument of a durable military balance. A major thrust of the agreement is to right some of the Serbs' wrongs against the Muslims. Mr. Clinton has reason to thank Senator Dole for his contribution to these purposes. Overall, the president did not get from Congress anywhere near a full measure of support. But especially from Mr. Dole, he got what he needed to give the uncertain new American ground intervention in Bosnia a national, and not just presidential, launch.

—THE WASHINGTON POST.

## A Tenacious Champion

The progress of "education reform" is always hard to track: Where are all these "reforms" going, and how can we tell when they get there? One of the few voices that helped answer the latter question was that of Ernest L. Boyer, who died recently. Mr. Boyer, head of the Carnegie Foundation for the Advancement of Teaching, had been commissioner of education under President Jimmy Carter, and before that the president of the State University of New York. He was once introduced to a Washington gathering as "a man who has never had an unpublished thought."

But Mr. Boyer's real contribution, in a debate that tends to be by turns faddish and cacophonous, was not just to be widely heard but to cling tenaciously over the years to a few simple principles. One was that the U.S. high school diploma should mean something: Schools, school systems and state legislatures should cease giving graduation credit for shopping mall-style electives or "business math" and insist on solid fare such as four years of English, two of algebra and history in place of "social studies."

That insistence prevailed in enough places and has been in effect long enough

to have produced results, as high schools report tougher standards and a few colleges say students are better prepared. Another strongly held Boyer view was that early childhood education and nutrition made a dramatic difference in children's futures; yet another, that the large schools so popular in the 1960s and '70s were bad for students who, especially in urban systems and at the middle school level, were suffering already from a lack of adult attention. "Too often when students 'drop out,'" he wrote, "nobody has ever noticed they had 'dropped in.'"

These ideas, neither complicated nor trendy, can be all the harder to focus public attention on for their lack of drama. But they need to be stated, and stated over and over as the wave of "education reform" launched by the 1983 report called "A Nation at Risk" gets increasingly diffuse and degenerates into political quarreling. More than anything else, education — real education that gets somewhere — implies long and low-key effort, sustained attention to the child at hand. Mr. Boyer was such an educator, whose patience and consistency carried as much influence as the quality of the ideas he put forward.

—THE WASHINGTON POST.

## Peacekeeping Up to Now: Under Fire from Friend and Foe

By Brian Urquhart and Michael Doyle

NEW YORK — International intervention in the former Yugoslavia, with the exception of the preventive UN force in Macedonia, is widely held to have been, so far, a chapter of errors and shortcomings.

Insufficient attention at the outset to the looming disaster; the premature recognition, in spite of the negotiators' warnings, of Croatia and Bosnia; lack of firm international response to violence and atrocities in the opening months of the tragedy; and later on the proclaiming of "safe areas" without providing either the mandate or resources to guarantee their safety — all contributed to a profoundly unsatisfactory situation.

Strangest of all, in retrospect, is the back-to-front nature of international intervention in Bosnia. When there was no peace to keep, UN peacekeeping forces were deployed. Now that a peace agreement has at last been concluded, a massive enforcement force is being made ready.

For more than three years, these unusual arrangements have left the UN peacekeepers and civilian workers on the ground in a uniquely awkward and frustrating position, and it has been convenient to blame them for some of the worst failures. A few of the UN Protection Force, or UNPROFOR, contingents did fail to live up to their duties; a few in the leadership made mistakes. But before the next phase starts, the public deserves a straightforward account of how the United Nations approach to the Bosnian tragedy developed, what

those who had to try to implement it on the ground actually did or did not do, and why.

In the aftermath of the Dayton agreement there has been a deafening silence about the UN soldiers and civilians in Bosnia, although they can still be seen on television carrying on with the job. In the Security Council debate after Dayton, only the British representative paid tribute to them or recalled the more than 200 of their number who have given their lives in the former Yugoslavia.

It is important to distinguish between what the Security Council mandated and equipped UNPROFOR to do and what some parts of the media and the public would have liked UNPROFOR to have done. UNPROFOR was very specifically not sent to help one side in the conflict, or to declare war on one side, but to mitigate the sufferings of war and to help promote peace. If it was to function properly, the force needed the cooperation of all parties. Were it to have declared war on one of the parties in the conflict, the peacekeeping force in Bosnia would inevitably have become part of the problem it was sent to solve, as happened in Somalia.

The Security Council sent

UNPROFOR, a peacekeeping force, into a war situation because the not-so-united nations that make up the Council were unwilling to contemplate any one of three drastic alternatives: allowing the Serbs a free hand to "ethnically cleanse" Bosnia, partitioning Bosnia in order to conduct a UN transfer of populations ("benign cleansing") or actually going to war to create a unified Bosnian state. Only the Bosnian Serbs wanted the first; only the Bosnian government the last, and nobody was prepared to do the second. Regrettably, the Security Council was also unwilling to provide the forces that UNPROFOR required to meet the mandate it had been given.

The successive mandates that the Security Council gave UNPROFOR dictated a dispersal of its lightly armed forces and thus precluded more forceful action even if this had been authorized. When the Security Council set up the "safe areas," it did not ask UNPROFOR to defend or protect these areas, only to "deter attacks" on them and, in extremis, to call in air strikes in self-defense.

The secretary-general asked for 34,000 soldiers to provide "deterrence through strength" in the so-called safe areas. When the Security Council chose to authorize only 7,600 troops, which then took a year to arrive, it initiated a dangerous bluff. Representations by UNPROFOR commanders about the nonviability of this mandate seem to have fallen on

deaf ears in the Security Council. The meager UN forces in the safe areas thus became dependent on the cooperation of the surrounding Serbs for their lines of communication and daily survival.

UNPROFOR responded to the general demand to do something about Bosnia, but it was not authorized or equipped to create by force the results that much of the media and many politicians were clamoring for. In practice, its very limited objective was to contain the situation and to do what it could for the victims of war while a fourth alternative was pursued — political negotiations to achieve a solution acceptable to all the parties.

What did UNPROFOR, within the constraints of mandate and resources, actually achieve? Certainly a decline in deaths in direct proportion to its deployment — from 130,000 deaths in 1992 to fewer than 3,000 in 1994 — had enough, but still a notable improvement. The presence of the peacekeepers, along with the arms embargo and the constant mediation efforts, undoubtedly kept down the level of fighting and moderated the conflict. The humanitarian relief effort that the peacekeeping force made possible, including the largest airlift in history and a huge operation by road, saved many lives and eased the suffering of millions.

The force repaired and rebuilt housing, roads, bridges, pipelines and the electrical grid. It restored and maintained basic services as well as keeping the aid flowing where extreme war conditions did not make this impossible.

UNPROFOR also provided an accurate picture of events for the international community.

On a wider level, UNPROFOR and the UN preventive force in Macedonia contained the war. The war, especially in its early stages, could well have spelled the end of the new state of Bosnia and Herzegovina. International intervention, even if limited, meant the survival of the state of Bosnia and gave it time to improve its capacity for self-defense.

The Security Council, speaking for the governments of the world, was not willing to intervene militarily in Bosnia. It may, indeed, have believed that such an intervention would have risked a wider and deeper war. The international community was thus committed firmly to a negotiated, not a military, solution. Only now that a solution has been negotiated will a much more heavily armed NATO force be committed, albeit with much anxiety and apprehension.

As the men and women of UNPROFOR and the humanitarian relief effort, veterans of three years of violence and stress, help the newcomers acclimatize themselves; it would be appropriate to appreciate what they have done rather than fault them for not doing what the world neither authorized nor equipped them to do.

Mr. Urquhart, a scholar in residence at the Ford Foundation, and Mr. Doyle, a professor of politics at Princeton University, contributed this comment to the International Herald Tribune.

## Mixed Messages from America Encourage Chinese Rights Abuses

By Jim Hoagland

WASHINGTON — Physicists promise as their first duty to do no harm. The brutal prison sentence handed down against Wei Jingsheng, the world's leading political dissident, demonstrates that the Clinton administration needs to follow that oath in dealing with human rights activists in China.

The White House and the State Department have paid episodic and inconsistent attention to Mr. Wei and China's other heroic campaigners for democracy, first offering rhetorical support and then showing there would be no significant White House retaliation if Beijing resumed its persecution of dissidents.

That pattern has done harm. It contributed to the Communist government's harsh treatment of Mr. Wei, sentenced last Wednesday to 14 years in prison for calling for democracy in China. At 45, Mr. Wei has already spent 15 years in jail and is in poor health. It is not clear that the former electrician, who was a founder of the Democracy Wall movement in China, will survive this imprisonment.

Mr. Wei has become to China's democrats what Alexander Solzhenitsyn and Andrei Sakharov were to Soviet dissidents: the living symbol of a movement's hope and courage. But Western governments and international organizations such as the Nobel Peace Prize Committee have not offered Mr. Wei the same recognition and support that was given the Russian ideological chain breakers.

Worse, the Clinton administration has pursued a two-track, two-level policy toward China that has effectively nullified itself. Amer-

ica's bad cop, in the modest person of Assistant Secretary of State for Human Rights John Shattuck, goes about his beat unarmed. The good cops, President Bill Clinton and Commerce Secretary Ron Brown, distribute benefits to the Chinese dictators that implicitly tell them to pay no attention to Mr. Shattuck's rude remarks.

Six months after he was released from prison in September 1993 — when China was bidding unsuccessfully to host the Olympic Games in 2000 — Mr. Wei met with Mr. Shattuck in Beijing for a discussion of human rights. Mr. Shattuck flew back to Washington while Beijing denounced Mr. Wei anew as a "criminal" and seven carloads of policemen descended to arrest him on April 1, 1994.

Mr. Wei's name was on a list of four Chinese dissidents that President Clinton gave President Jiang Zemin in New York this October. Mr. Jiang took the political prestige Mr. Clinton awarded him with the meeting and then seems to have lost the list of those for whom the United States sought clemency. The U.S. president made no public mention of Mr. Wei in the months that led up to the one-day trial and harsh sentencing of Mr. Wei this past week.

Mr. Shattuck is no doubt a good man in a difficult situation. He clearly meant Mr. Wei no harm. There is nothing intrinsically wrong about the meeting he had with Mr. Wei, which in other circumstances might have offered a persecuted dissident visibility and protection.

But the circumstances had been shaped not by a consistent U.S. policy that might have deterred Beijing from new persecution. The circumstances were shaped instead by the "comprehensive engagement" championed by the State Department's top Asia hand, Assistant Secretary Winston Lord, and by Mr. Brown at Commerce. The administration's actions of upgrading official contacts and avoiding pursuing business contracts told Beijing that China was too important for the president to get involved in Mr. Wei's case with more than just a few words.

A broader point surfaces in this case: Despite Mr. Clinton's 1992 campaign shots at George Bush for coddling dictators in Beijing and elsewhere, this administration has treated human rights not as a cause but as a bureaucratic responsibility. Mr. Shattuck is useful not because he is challenging dictators around the world, but because he can be saddled with the responsibility for taking on cases too tough for the president or for the "action" officers at State.

Consider how Richard Holbrooke handled not being able to punish human rights violators in Bosnia through the Dayton peace

accord he negotiated. When reporters or Congress pressed him on this during the difficult negotiations, Mr. Holbrooke consistently deflected the questions by citing Mr. Shattuck's frequent visits to Bosnia and his statements there as evidence of the administration's moral concern. The effect was to insulate the Dayton diplomacy with the well-intentioned but largely ineffective quest for justice by the department's human rights bureau.

Since Jimmy Carter, Democrats have been more reluctant than Republicans to own up to the necessarily selective nature of any human rights policy for a global power.

In China, the administration has constructed a failed policy around its embarrassment, and arguably made things worse for a courageous man who will one day have statues erected to him across a free China.

Washington Post Writers Group.

finding suitable men who would act as delegates. Mr. Boyden, the American unofficial representative on the Reparation Commission, was invited to attend the conference in an official capacity, but the United States Government has expressed a desire not to take any part in the proceedings.

**1945: Demands on China**

WASHINGTON — President Truman called today (Dec. 15) for a quick political unification of China, beginning with a truce between the Communists and Nationalists. He backed his plan with outright American pressure, and justified American intervention in the interest of Chinese unity on the ground that such unity is vital to the peace of the United Nations. The President thus furnished General of the Army George C. Marshall with a specific program for putting an end to factionalism and internal strife in China.

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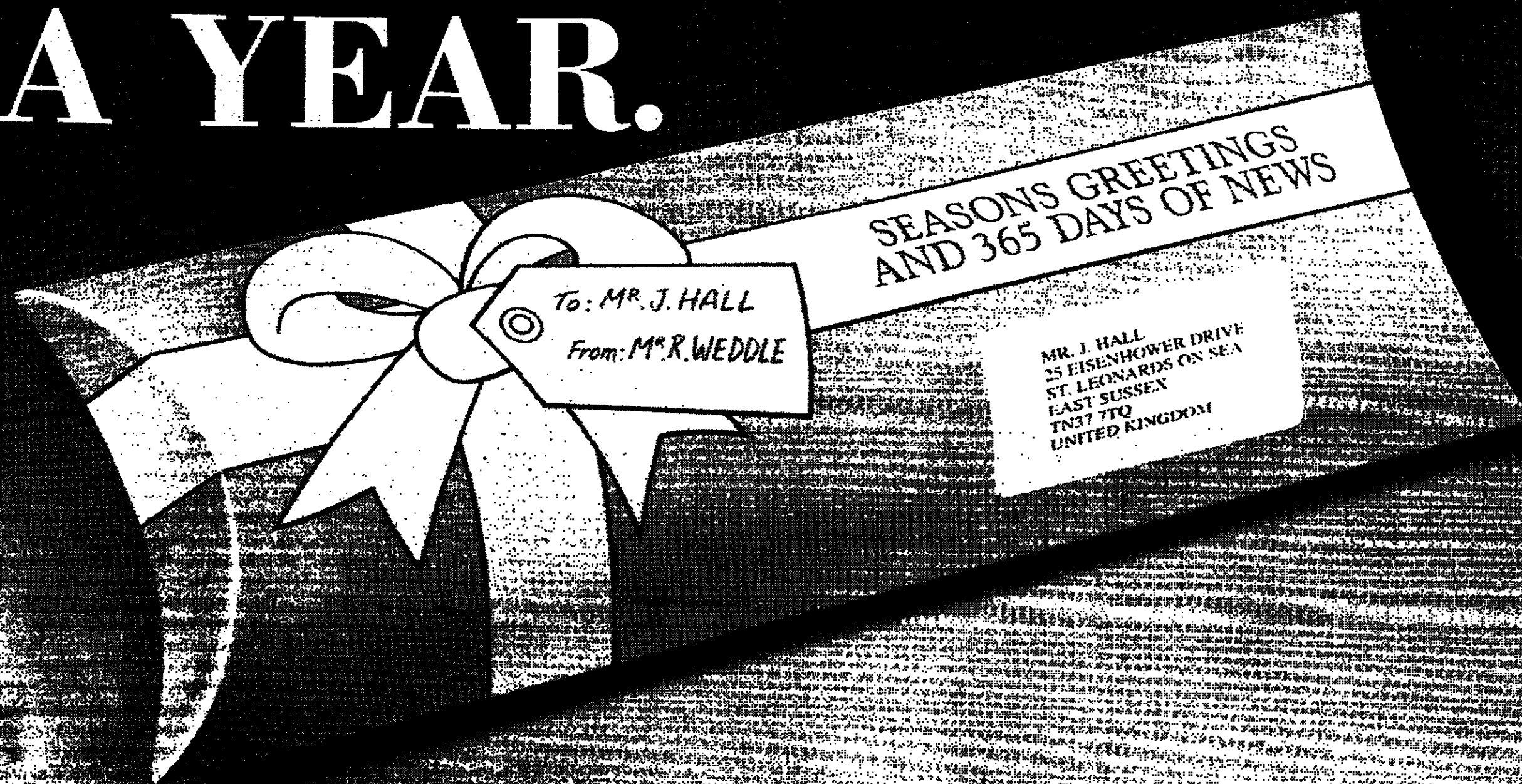
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THE WORLD'S DAILY NEWSPAPER

16-12-95



# Chipping Away at a Castle's Collection and a Cultural Heritage

**International Herald Tribune**  
**L**ONDON — Where do you draw the fine line separating the protection of private property and the safeguard of a nation's cultural heritage? And when these overlap, as is so often the case in countries with a long past dominated by an aristocratic or a patrician elite, how do you reconcile the two?

The latest battle fought on the auction scene proves that the multiple authorities involved in the decision-making process have not made up their minds.

This month, the question arose in connection with Castle Howard, the palace built in the early 18th century for Charles Howard, 3d Earl of Carlisle. The architect John Vanbrugh conceived a gigantic structure inspired by French models, the sheer maintenance of which is a crushing burden, almost unbearable for incomes pared down by 20th-century taxation. As each new generation is confronted with death duties and other obligations, the temptation to chip away at the cash-convertible art wealth proves irresistible.

Last week at Sotheby's, it was Orazio Gentileschi's "Finding of Moses," a monumental painting with life-size figures filling up most of the 257-by-301-centimeter (1014-by-1181/2-inch) canvas. Completed around 1633-1634 by the artist who had been appointed court

painter to Charles I in 1626, it is a pivotal work within the oeuvre of Gentileschi, and one that is intricately woven into the fabric of British history. While there is still some uncertainty as to whether or not it was commissioned by Charles I, it was certainly owned by him by 1649, as is shown by the mention of the picture in an inventory.

Eventually, the collections of Charles I were dispersed and it took 150 years or so for the

## SOURIN MELIKIAN

painting to find its way back from the Continent to Britain. From 1798 until its removal to Sotheby's, the Gentileschi hung at Castle Howard.

Here, a relatively happy ending may be in sight. The National Gallery went to it all guns blazing, determined to pin down the Gentileschi in the United Kingdom. At its request, an announcement was read out at the sale, stating in essence that the museum had tried, in vain, to buy the picture by private treaty and would continue to do so. In effect, it served notice that an export license would not be granted and thus cut down the potential value of the picture by excluding it from the international market. How the gallery will find the £5 million (\$7.7 million) it would cost the bidder to whom it was knocked down has yet to be determined.

No such possibly felicitous conclusion is in the cards concerning the sculpture that turned up this week in Sotheby's sale of Antiquities held on Thursday. One Egyptian granite statue of the kneeling king Amenhotep II; one marble sarcophagus partly Ancient Roman, third century, and three Ancient Roman marble busts, all removed from Castle Howard, were given the honors of a separate catalogue with a title trumpeting, "Ancient Sculpture from Castle Howard."

But these were no ordinary specimens of "Ancient Sculpture." They embody the aesthetic vision of an age that left its imprint on all aspects of its artistic activity.

The foundations of the collection were laid by Henry Howard, 4th Earl of Carlisle. The future earl's taste for Antiquity was kindled in 1717, while on his first Grand Tour, which took him to Italy at the age of 20. There, he met a dealer, Francesco de Ficoroni, who left a deep impression on his young mind. Famous as a gem dealer, de Ficoroni probably inspired his love of gems, which led him to buy as the new Earl of Carlisle, the entire collection of Cardinal Ottoboni. So famous was the collection that Horace Walpole, Britain's premier collector, acknowledged the tour de force by hailing the earl as "a great vir-



Roman marble Dionysiac sarcophagus for a child, bought by the British Museum.

tuso." And 150 years later, the British Museum underwrote that judgment by acquiring the collection.

During his second Grand Tour, in 1739-1740, the young earl set about collecting on a large scale. His mentor and main agent was the inevitable de Ficoroni. Their correspondence from 1740 to 1745 survives in part, revealing the dogged determination with which the earl went after objects. But his attitude to them greatly differed from that of a present-day collector.

The carvings were restored, groomed, cleaned to a fine surface polish. Hoisted onto pedestals in the antique taste, the antiquities were refashioned to suit the 18th-century idea of Ancient Art.

A second-century bust believed to represent Emperor Commodus (180-192) is the quintessential example. The face has been supplied with a new nose; locks of hair and part of one ear have been deftly restored, the eyes touched up. The bust is clad in folds that could

be those of a Baroque artist working in the Antique manner. It is hardly surprising if a German scholar, F. Poulsen, called it in 1929 a "Modern (i.e. 18th-century) decorative piece." And part of the decor it was at Castle Howard, where it was displayed in the Antique Passage.

A marble portrait of the late second to early third century would have justified the characterization to an even greater extent. Not only are the nose and parts of the beard restored,

to say nothing of filling in to cover up some nasty abrasions over the eyebrows and one eyelid, but the body, reduced to the top part of the shoulders and chest neatly cut out, has been completed into a well-rounded 18th-century bust. This used to be displayed at the foot of the Grand Staircase.

The third bust in the sale, showing Emperor Antoninus Pius, was likewise dolled up. The right shoulder and part of the right side were unflinchingly restored by some intrepid 18th-century sculptor. Much coveted in the 18th century, it was the object of protracted haggling echoed in the correspondence with de Ficoroni.

The ultimate in 18th-century refashioning, however, is a marble sarcophagus carved in the third century with Dionysiac scenes all around, not just at the back as is usual in Roman sarcophagi. The high-relief sculpture (also a rare feature; low relief was generally preferred) shows some restoration. As for the lid with a sleeping character on the top, it does not belong at all. It is apparently an 18th-century concoction, and it is not devoid of charm — as 18th-century art.

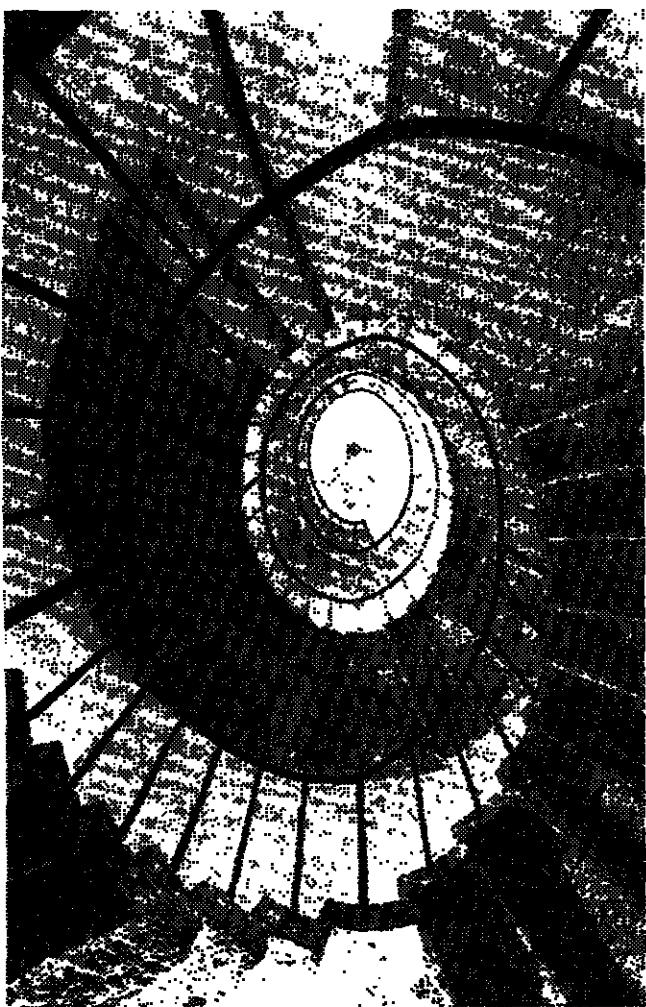
Displayed in the anteroom off the Grand Staircase, the composite work fitted perfectly into Castle Howard as a symbol of the 18th-century perception of Antiquity. Whether it makes

better sense as part of the archaeological displays at the British Museum, which bought it before the sale, is a moot question. As for the three marble busts, they failed to find a buyer — their appeal to 20th-century collectors with their overriding concern for strict authenticity is weak. It really wasn't worth impairing the integrity of a period collection. The only piece that prompted bidders to compete was Amenhotep II. It went for a huge £419,500. Here, restoration has not significantly altered its aesthetics. That, too, had long been part of the Castle Howard props. It should have stayed there. Without these early Egyptian acquisitions, the Egyptomania of the Neoclassical age is harder to understand.

**W**HY was so little fuss made, over these works, in contrast to the excitement caused by the piece of 19th-century kitsch called the "Three Graces," bought for the nation at a cost of roughly £7 million? Partly because no artist's name is attached to the sculpture and partly because the notion that a historic decor must be preserved in its integrity, movable objects included, has yet to be accepted.

With the sale, one more small chunk of Britain's past has been wasted into the anonymity of collectibles.

## Accademia in Venice Opens a New Wing



Palladio's open-welled, oval staircase at Accademia.



"Archangel Raphael with Tobias and Saints Nicholas and James the Great."

By Rodrick Conway Morris  
International Herald Tribune

**V**ENICE — The Accademia, one of the world's principal picture galleries, seems an unlikely repository for some of Venice's best-kept secrets. Yet the opening this month of an entirely new space, the Quadriera (Picture Room), with 88 panels and canvases, most of them never shown before, reveals that not only do the reserve collections, previously accessible almost exclusively to professionals, contain some real gems, but that the Palladian interior of the wing where they are displayed would justify a visit in itself.

From the early days of the last century the Accademia has shared its premises — the deconsecrated 15th-century Santa Maria della Carità church and scuola, or lay charitable confraternity meeting hall, and adjoining monastery, rebuilt by Palladio in the mid-16th century — with Venice's Fine Arts School, and both institutions (whose administrations were finally separated in 1882) have complained ever since of lack of space to pursue their different activities.

The opening of the Quadriera is also a milestone, therefore, in that it marks the beginning of a process over the next few years, during which the art school will relinquish its areas of the complex and move to the former Incurabili Hospital buildings on the Zattere, leaving the Accademia with vastly expanded permanent and temporary exhibition spaces. The dual purpose forced on the Accademia complex has, over the years, led to some bizarre architectural adjustments: notably the horizontal division of the 15th-century Venetian-gothic Carità church into two floors to accommodate artists' studios below and an open gallery space above, and the consequent almost to oblivion of Palladio's monastery buildings.

Palladio's original scheme for the restructuring of this, one of the city's most ancient religious houses was ambitious and based on the promise of the demolition of neighboring houses and the loss of a public street. In the end, the plan had to be scaled down to fit the existing site, but work began in 1562.

By Palladio's usual canons one might say that his new Carità wing was outside-in, given that its chief glories were not its external facades and features, but its inward-looking courts, porticoes and interiors. This Palladio no doubt considered an appropriate arrangement for a monastery, but he also used the opportunity to re-create the interiors of his ideal conception of an ancient Roman nobleman's house, of the kind that he was to write about in his "Four Books of Architecture" (1570), using the Carità project in his examples.

**B**UT an unusual commission, the ultimate completion of only part of the plan, later fire damage and interventions by subsequent architects mean that it is now easy to pass by the exterior of the Accademia without realizing that Palladio had any hand in it at all.

The interior of the surviving part of his wing is entirely another matter. The new Quadriera is on the third floor, occupying a grand, almost hall-like

corridor, off which there were once monk's cells. It is reached by Palladio's long-inaccessible, open-welled oval staircase, which Goethe described as "the most beautiful spiral staircase in the world." Also illustrated in "The Four Books of Architecture," it is a daring piece of engineering, its slender monolithic treads projecting otherwise unsupported from the walls, creating an extraordinary feeling of airiness and grace.

We are greeted at the door by a splendid St. Peter, standing keys in hand in a luminous trompe l'oeil niche, which used to adorn an organ door and has been attributed variously to Giovanni Bellini and Carpaccio. The latter is also represented by a sharply brilliant scene from the apocryphal Book of James. Outstanding in this period, however, is a late Cima da Conegliano (1459-1517) of "Archangel Raphael with Tobias and Saints Nicholas and James the Great." The adventures of the boy Tobias and his faithful unnamed dog (which also appears here) constitute one of the Old Testament's quirkiest stories, and this picture, while formally beautiful in its figures, coloring and landscape, evokes the convincingly human rapport between Tobias and the older-brother-like Archangel (the protector of the young and innocent).

**S**OME of the works here have been previously held in reserve because of their delicate state of conservation, but others are characterized by a level of drama, even melodrama, that was perhaps judged by some earlier curators to exceed the decorum expected of an Old Master. Titianetto is represented by five canvases, including a thunderous "Deposition of Christ," in which a haggard, deathly pale Virgin Mary has collapsed into a dead faint, her hand limply grasping the foot of her son; and Titian by a series of ceiling panels of vibrant, boldly colored panels of putti, evangelic beasts and masks used to accompany "The Vision of St. John in Patmos" (now in the National Gallery in Washington).

Among many striking works by lesser-known artists is a historical curiosity: Charles Le Brun's "Conversion of the Pharisee with Magdalene at the Feet of Christ," painted for the Carmelite convent on Rue Saint-Jacques in Paris. It was palmed off on Venice in 1815 "in exchange" for Veronese's masterpiece "The Marriage at Cana," looted by Bonaparte (and recently badly damaged and controversially restored at the Louvre).

The new offerings maintain a good standard into the 18th century. It is a pleasure, for example, to see Tiepolo's "Moses and Aaron," another wonderful fragment of the Scalzi church ceiling blown to pieces during the Austrian bombardment of Venice in 1915 (two are displayed in the main gallery), and many visitors may reckon that Piasezzetta's "Christ Crucified Between the Two Thieves" (which until a decade ago was displayed in the regular Accademia collection) is superior to "The Crucifixion" that has since replaced it.

The Quadriera is open free every Tuesday afternoon (to be extended to three to four afternoons a week next year). Entry, for a limited number of visitors, must be reserved by phone, (41) 713498, Monday through Friday, 9.30 A.M. to 1.30 P.M., or by fax (41) 713487.



Hirschfeld has "always envied people who can relax," but it's not for him.

## 7,000 Drawings Later Al Hirschfeld, in Cyberspace at 92

By Alex Witchel  
New York Times Service

**N**EW YORK — In 1942, Al Hirschfeld was en route to City Hall with the German film star Dolly Haas when he panicked. But it wasn't the usual bridegroom jitters.

"I said, 'You know, I don't remember getting a divorce,'" he recalled recently. In 1927, Hirschfeld had married Florence Hobby, a chorus girl, but the two had been separated for years. "So, I called Flo," Hirschfeld continued, "and she said, 'No, we never did get a divorce.' And I said, 'Good God, I'm on my way to get married.' And she said, 'Well, you'd better get a divorce first or you'll wind up in jail.' He chuckled. "Back then, you couldn't get one for incompatibility. The only grounds were sleeping with another woman, whatever the hell that's called."

Adultery? "Yes, that's it. I was thrown off the grand jury right after because it turned out adultery was a criminal offense. So I couldn't serve." He smiled philosophically, having seen it all now, at age 92. But within his smile, lurking there behind his trademark beard and bushy eyebrows, was the unmistakable glint of anarchy. Just enough to explain why, throughout history, artists have preferred colonies. And why the rest of the world lets them.

Hirschfeld's marriage to Haas lasted 52 years, until her death from cancer in 1994. And Florence Hobby? "She went to Alaska, selling Helena Rubenstein cosmetics, makeup, whatever that is, up there," he said. "That was her territory."

And this salmon-colored town house, where Hirschfeld has lived since 1947 (Dolly's name is still on the bell), is his. He works in his studio on the top floor seven days a week, drawing the ingenious caricatures that have appeared in The New York Times since 1925, and are included in the collections of the Smithsonian Institution, the National Portrait Gallery, and the Metropolitan Museum of Art, among others. For the last 26 years, he has sold his work through the Margo Feiden Galleries, which has afforded him a comfortable standard of living. "When we started, people would say he's not an artist, he's an illustrator or a cartoonist," Feiden said. "And I would say no, because he doesn't editorialize. His interest is in line."

Feiden also organized the first art auction in cyberspace this week; five of Hirschfeld's drawings were sold to benefit New York City Meals on Wheels. And next week marks the release of "Hirschfeld: The Great Entertainers," a CD-ROM on his life and art.

"I've never prided myself on knowing these mechanical things," he said. "But a couple of young kids came up here and asked if I was interested in doing an e-mail. I said I don't know, describe it to me. So, they introduced me over this computer through typing, and then someone from California wrote in right away. I was fascinated by it."

In these surroundings, it is hard to imagine,

Hirschfeld was seated in his barber's chair, salvaged from a long-defunct shop in the Chrysler Building. The black linoleum on the floor was cracked, the plants were dusty and a sign near his drawing board said, REMEMBER: IT WAS AN ACTOR WHO KILLED LINCOLN. Other than being a little hard of hearing, he seemed decades younger than his age. "I grew up in St. Louis, and we had no electricity, gas or running water, just a pump in the kitchen," he said. "I remember when radio came in we would sit around with these crystal sets, and I would open and close the window because I found it difficult to believe these waves were coming in."

So much has changed in his lifetime, including the theater. "People dressed to the nines in top hats and tails," he said. "I can't get used to opening nights now when a fellow takes his coat off and he's in his shirt sleeves." He shrugged. "You roll with the punches to exist or else you're complaining most of your life." Another change, he said, is how artists and writers treat each other. "There was a log-rolling period when everyone was considered a genius and praised each other's work, like the Round Table," he said. "Now, it's as if everyone is hushbanded a secret, a gimmick they don't want to share with other people. It's become all cliquey now."

**H**E sighed. "But maybe it's not and it's just me," he continued. "I'm isolated. I lead an eerie existence here. In the evening, I go to the theater, which is my only contact with New York. Over the last 10 to 20 years, I just can't get used to the invitations I receive. Take a table for \$30,000. I don't know what they mean by inviting you to these things. I had been meaning to collect them, like speakeasy cards. They'll be a collector's item someday."

Does he really work seven days a week? According to his gallery, he has made 7,000 drawings. He nodded. "I've always envied people who could relax, lie on a beach. Dolly and I went to Nantucket on our honeymoon. On the first day, after an hour with other people's radios, I said: 'Would you mind if we went to Boston? I can't take the heat, it's making me nervous.' Sid Perelman and Ogden Nash were there doing a run-through of 'One Touch of Venus.' I remember it was a Sunday afternoon." His relief was still palpable. "Marvelous," he said. "A dark theater."

He smiled. "People just enjoy different things. I'm not a great nature lover, and I'm terrible at sightseeing. But when I'd come back from Paris I would sit for hours in the window of Howard Johnson's at the corner of Broadway and 46th Street making little sketches, watching people go by. I find that stimulating. The insatiable of people."

Has he ever figured them out? Does the wisdom of great age mean he can tell his grandchildren the meaning of life?

"No," he said without a moment's hesitation or the slightest hint of regret. "The only thing I'm confident of is a blank piece of paper."

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**Friday's 4 p.m.**

**Friday's 4 p.m.**  
The 1,000 most-traded National Market securities in terms of dollar value, updated twice a year.  
*The Associated Press*

12 Month	High	Low	Stock	Div	Yld	P/E	10ks	High	Low	Latest	Change
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1980	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
1981	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
1982	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
1983	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
1984	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
1985	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
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1993	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
1994	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
1995	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
1996	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
1997	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
1998	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
1999	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2000	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2001	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2002	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2003	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2004	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2005	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2006	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2007	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2008	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2009	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2010	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2011	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2012	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2013	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2014	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2015	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2016	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2017	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2018	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2019	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2020	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2021	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2022	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2023	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2024	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2025	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2026	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2027	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2028	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2029	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2030	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2031	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2032	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2033	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2034	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2035	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2036	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2037	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2038	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2039	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2040	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2041	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2042	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2043	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2044	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2045	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2046	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2047	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2048	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2049	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2050	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2051	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2052	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2053	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2054	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2055	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2056	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2057	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2058	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2059	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2060	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2061	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2062	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2063	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2064	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2065	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2066	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2067	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2068	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2069	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2070	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2071	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2072	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2073	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2074	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2075	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2076	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2077	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2078	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2079	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2080	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2081	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2082	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2083	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2084	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2085	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2086	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2087	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2088	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2089	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2090	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2091	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2092	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2093	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2094	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2095	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2096	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2097	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2098	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2099	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2100	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2101	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2102	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2103	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2104	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2105	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2106	30.00	28.00	Codyco	1.92 c	3.4	10	30.00	28.00	29.00
2107	30.00	28.00	Codyco	1.92 c	3.4				

Albany	1.4	1960	19,000	1.4	13,571
Albany	1.4	1970	21,000	1.4	15,000
Albany	1.4	1980	23,000	1.4	16,429
Albany	1.4	1990	25,000	1.4	17,857
Albany	1.4	2000	27,000	1.4	19,286
Albany	1.4	2010	29,000	1.4	20,714
Albany	1.4	2020	31,000	1.4	22,143
Albany	1.4	2030	33,000	1.4	23,571
Albany	1.4	2040	35,000	1.4	25,000
Albany	1.4	2050	37,000	1.4	26,429
Albany	1.4	2060	39,000	1.4	27,857
Albany	1.4	2070	41,000	1.4	29,286
Albany	1.4	2080	43,000	1.4	30,714
Albany	1.4	2090	45,000	1.4	32,143
Albany	1.4	2100	47,000	1.4	33,571
Albany	1.4	2110	49,000	1.4	35,000
Albany	1.4	2120	51,000	1.4	36,429
Albany	1.4	2130	53,000	1.4	37,857
Albany	1.4	2140	55,000	1.4	39,286
Albany	1.4	2150	57,000	1.4	40,714
Albany	1.4	2160	59,000	1.4	42,143
Albany	1.4	2170	61,000	1.4	43,571
Albany	1.4	2180	63,000	1.4	45,000
Albany	1.4	2190	65,000	1.4	46,429
Albany	1.4	2200	67,000	1.4	47,857
Albany	1.4	2210	69,000	1.4	49,286
Albany	1.4	2220	71,000	1.4	50,714
Albany	1.4	2230	73,000	1.4	52,143
Albany	1.4	2240	75,000	1.4	53,571
Albany	1.4	2250	77,000	1.4	55,000
Albany	1.4	2260	79,000	1.4	56,429
Albany	1.4	2270	81,000	1.4	57,857
Albany	1.4	2280	83,000	1.4	59,286
Albany	1.4	2290	85,000	1.4	60,714
Albany	1.4	2300	87,000	1.4	62,143
Albany	1.4	2310	89,000	1.4	63,571
Albany	1.4	2320	91,000	1.4	65,000
Albany	1.4	2330	93,000	1.4	66,429
Albany	1.4	2340	95,000	1.4	67,857
Albany	1.4	2350	97,000	1.4	69,286
Albany	1.4	2360	99,000	1.4	70,714
Albany	1.4	2370	101,000	1.4	72,143
Albany	1.4	2380	103,000	1.4	73,571
Albany	1.4	2390	105,000	1.4	75,000
Albany	1.4	2400	107,000	1.4	76,429
Albany	1.4	2410	109,000	1.4	77,857
Albany	1.4	2420	111,000	1.4	79,286
Albany	1.4	2430	113,000	1.4	80,714
Albany	1.4	2440	115,000	1.4	82,143
Albany	1.4	2450	117,000	1.4	83,571
Albany	1.4	2460	119,000	1.4	85,000
Albany	1.4	2470	121,000	1.4	86,429
Albany	1.4	2480	123,000	1.4	87,857
Albany	1.4	2490	125,000	1.4	89,286
Albany	1.4	2500	127,000	1.4	90,714
Albany	1.4	2510	129,000	1.4	92,143
Albany	1.4	2520	131,000	1.4	93,571
Albany	1.4	2530	133,000	1.4	95,000
Albany	1.4	2540	135,000	1.4	96,429
Albany	1.4	2550	137,000	1.4	97,857
Albany	1.4	2560	139,000	1.4	99,286
Albany	1.4	2570	141,000	1.4	100,714
Albany	1.4	2580	143,000	1.4	102,143
Albany	1.4	2590	145,000	1.4	103,571
Albany	1.4	2600	147,000	1.4	105,000
Albany	1.4	2610	149,000	1.4	106,429
Albany	1.4	2620	151,000	1.4	107,857
Albany	1.4	2630	153,000	1.4	109,286
Albany	1.4	2640	155,000	1.4	110,714
Albany	1.4	2650	157,000	1.4	112,143
Albany	1.4	2660	159,000	1.4	113,571
Albany	1.4	2670	161,000	1.4	115,000
Albany	1.4	2680	163,000	1.4	116,429
Albany	1.4	2690	165,000	1.4	117,857
Albany	1.4	2700	167,000	1.4	119,286
Albany	1.4	2710	169,000	1.4	120,714
Albany	1.4	2720	171,000	1.4	122,143
Albany	1.4	2730	173,000	1.4	123,571
Albany	1.4	2740	175,000	1.4	125,000
Albany	1.4	2750	177,000	1.4	126,429
Albany	1.4	2760	179,000	1.4	127,857
Albany	1.4	2770	181,000	1.4	129,286
Albany	1.4	2780	183,000	1.4	130,714
Albany	1.4	2790	185,000	1.4	132,143
Albany	1.4	2800	187,000	1.4	133,571
Albany	1.4	2810	189,000	1.4	135,000
Albany	1.4	2820	191,000	1.4	136,429
Albany	1.4	2830	193,000	1.4	137,857
Albany	1.4	2840	195,000	1.4	139,286
Albany	1.4	2850	197,000	1.4	140,714
Albany	1.4	2860	199,000	1.4	142,143
Albany	1.4	2870	201,000	1.4	143,571
Albany	1.4	2880	203,000	1.4	145,000
Albany	1.4	2890	205,000	1.4	146,429
Albany	1.4	2900	207,000	1.4	147,857
Albany	1.4	2910	209,000	1.4	149,286
Albany	1.4	2920	211,000	1.4	150,714
Albany	1.4	2930	213,000	1.4	152,143
Albany	1.4	2940	215,000	1.4	153,571
Albany	1.4	2950	217,000	1.4	155,000
Albany	1.4	2960	219,000	1.4	156,429
Albany	1.4	2970	221,000	1.4	157,857
Albany	1.4	2980	223,000	1.4	159,286
Albany	1.4	2990	225,000	1.4	160,714
Albany	1.4	3000	227,000	1.4	162,143
Albany	1.4	3010	229,000	1.4	163,571
Albany	1.4	3020	231,000	1.4	165,000
Albany	1.4	3030	233,000	1.4	166,429
Albany	1.4	3040	235,000	1.4	167,857
Albany	1.4	3050	237,000	1.4	169,286
Albany	1.4	3060	239,000	1.4	170,714
Albany	1.4	3070	241,000	1.4	172,143
Albany	1.4	3080	243,000	1.4	173,571
Albany	1.4	3090	245,000	1.4	175,000
Albany	1.4	3100	247,000	1.4	176,429
Albany	1.4	3110	249,000	1.4	177,857
Albany	1.4	3120	251,000	1.4	179,286
Albany	1.4	3130	253,000	1.4	180,714
Albany	1.4	3140	255,000	1.4	182,143
Albany	1.4	3150	257,000	1.4	183,571
Albany	1.4	3160	259,000	1.4	185,000
Albany	1.4	3170	261,000	1.4	186,429
Albany	1.4	3180	263,000	1.4	187,857
Albany	1.4	3190	265,000	1.4	189,286
Albany	1.4	3200	267,000	1.4	190,714
Albany	1.4	3210	269,000	1.4	192,143
Albany	1.4	3220	271,000	1.4	193,571
Albany	1.4	3230	273,000	1.4	195,000
Albany	1.4	3240	275,000	1.4	196,429
Albany	1.4	3250	277,000	1.4	197,857
Albany	1.4	3260	279,000	1.4	199,286
Albany	1.4	3270	281,000	1.4	200,714
Albany	1.4	3280	283,000	1.4	202,143
Albany	1.4	3290	285,000	1.4	203,571
Albany	1.4	3300	287,000	1.4	205,000
Albany	1.4	3310	289,000	1.4	206,429
Albany	1.4	3320	291,000	1.4	207,857
Albany	1.4	3330	293,000	1.4	209,286
Albany	1.4	3340	295,000	1.4	210,714
Albany	1.4	3350	297,000	1.4	212,143
Albany	1.4	3360	299,000	1.4	213,571
Albany	1.4	3370	301,000	1.4	215,000
Albany	1.4	3380	303,000	1.4	216,429
Albany	1.4	3390	305,000	1.4	217,857
Albany	1.4	3400	307,000	1.4	219,286
Albany	1.4	3410	309,000	1.4	220,714
Albany	1.4	3420	311,000	1.4	222,143
Albany	1.4	3430	313,000	1.4	223,571
Albany	1.4	3440	315,000	1.4	225,000
Albany	1.4	3450	317,000	1.4	226,429
Albany	1.4	3460	319,000	1.4	227,857
Albany	1.4	3470	321,000	1.4	229,286
Albany	1.4	3480	323,000	1.4	230,714
Albany	1.4	3490	325,000	1.4	232,143
Albany	1.4	3500	327,000	1.4	233,571
Albany	1.4	3510	329,000	1.4	235,000
Albany	1.4	3520	331,000	1.4	236,429
Albany	1.4	3530	333,000	1.4	237,857
Albany	1.4	3540	335,000	1.4	239,286
Albany	1.4	3550	337,000	1.4	240,714
Albany	1.4	3560	339,000	1.4	242,143
Albany	1.4	3570	341,000	1.4	243,571
Albany	1.4	3580	343,000	1.4	245,000
Albany	1.4	3590	345,000	1.4	246,429
Albany	1.4	3600	347,000	1.4	247,857
Albany	1.4	3610	349,000	1.4	249,286
Albany	1.4	3620	351,000	1.4	250,714
Albany	1.4	3630	353,000	1.4	252,143
Albany	1.4	3640	355,000	1.4	253,571
Albany	1.4	3650	357,000	1.4	255,000
Albany	1.4	3660	359,000	1.4	256,429
Albany	1.4	3670	361,000	1.4	257,857
Albany	1.4	3680	363,000	1.4	259,286
Albany	1.4	3690	365,000	1.4	260,714
Albany	1.4	3700	367,000	1.4	262,143
Albany	1.4	3710	369,000	1.4	263,571
Albany	1.4	3720	371,000	1.4	265,000
Albany	1.4	3730	373,000	1.4	266,429
Albany	1.4	3740	375,000	1.4	267,857
Albany	1.4	3750	377,000	1.4	269,286
Albany	1.4	3760	379,000	1.4	270,714
Albany	1.4	3770	381,000	1.4	272,143
Albany	1.4	3780	383,000	1.4	273,571
Albany	1.4	3790	385,000	1.4	275,000
Albany	1.4	3800	387,000	1.4	276,429
Albany	1.4	3810	389,000	1.4	277,857
Albany	1.4	3820	391,000	1.4	279,286
Albany	1.4	3830	393,000	1.4	280,714
Albany	1.4	3840	395,000	1.4	282,143
Albany	1.4	3850	397,000	1.4	283,571
Albany	1.4	3860	399,000	1.4	285,000
Albany	1.4	3870	401,000	1.4	286,429
Albany	1.4	3880	403,000	1.4	287,857
Albany	1.4	3890	405,000	1.4	289,286
Albany	1.4	3900	407,000	1.4	290,714
Albany	1.4	3910	409,000	1.4	292,143
Albany	1.4	3920	411,000	1.4	293,571
Albany	1.4	3930	413,000	1.4	295,000
Albany	1.4	3940	415,000	1.4	296,429
Albany	1.4	3950	417,000	1.4	297,857
Albany	1.4	3960	419,000	1.4	299,286
Albany	1.4	3970	421,000	1.4	300,714
Albany	1.4	3980	423,000	1.4	302,143
Albany	1.4	3990	425,000	1.4	303,571
Albany	1.4	4000	427,000		

[illegible]

1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	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Time	Lat	Long	Alt	Temp	Hum	Wind	Dir	Speed	Pressure	Clouds	Remarks
0000	10 00 N	150 00 W	1000	20.0	80	10	090	10	1010	0	Clear
0100	10 05 N	150 05 W	1000	20.5	80	10	090	10	1010	0	Clear
0200	10 10 N	150 10 W	1000	21.0	80	10	090	10	1010	0	Clear
0300	10 15 N	150 15 W	1000	21.5	80	10	090	10	1010	0	Clear
0400	10 20 N	150 20 W	1000	22.0	80	10	090	10	1010	0	Clear
0500	10 25 N	150 25 W	1000	22.5	80	10	090	10	1010	0	Clear
0600	10 30 N	150 30 W	1000	23.0	80	10	090	10	1010	0	Clear
0700	10 35 N	150 35 W	1000	23.5	80	10	090	10	1010	0	Clear
0800	10 40 N	150 40 W	1000	24.0	80	10	090	10	1010	0	Clear
0900	10 45 N	150 45 W	1000	24.5	80	10	090	10	1010	0	Clear
1000	10 50 N	150 50 W	1000	25.0	80	10	090	10	1010	0	Clear
1100	10 55 N	150 55 W	1000	25.5	80	10	090	10	1010	0	Clear
1200	11 00 N	151 00 W	1000	26.0	80	10	090	10	1010	0	Clear
1300	11 05 N	151 05 W	1000	26.5	80	10	090	10	1010	0	Clear
1400	11 10 N	151 10 W	1000	27.0	80	10	090	10	1010	0	Clear
1500	11 15 N	151 15 W	1000	27.5	80	10	090	10	1010	0	Clear
1600	11 20 N	151 20 W	1000	28.0	80	10	090	10	1010	0	Clear
1700	11 25 N	151 25 W	1000	28.5	80	10	090	10	1010	0	Clear
1800	11 30 N	151 30 W	1000	29.0	80	10	090	10	1010	0	Clear
1900	11 35 N	151 35 W	1000	29.5	80	10	090	10	1010	0	Clear
2000	11 40 N	151 40 W	1000	30.0	80	10	090	10	1010	0	Clear
2100	11 45 N	151 45 W	1000	30.5	80	10	090	10	1010	0	Clear
2200	11 50 N	151 50 W	1000	31.0	80	10	090	10	1010	0	Clear
2300	11 55 N	151 55 W	1000	31.5	80	10	090	10	1010	0	Clear
2400	12 00 N	152 00 W	1000	32.0	80	10	090	10	1010	0	Clear

[illegible]**NYSE**

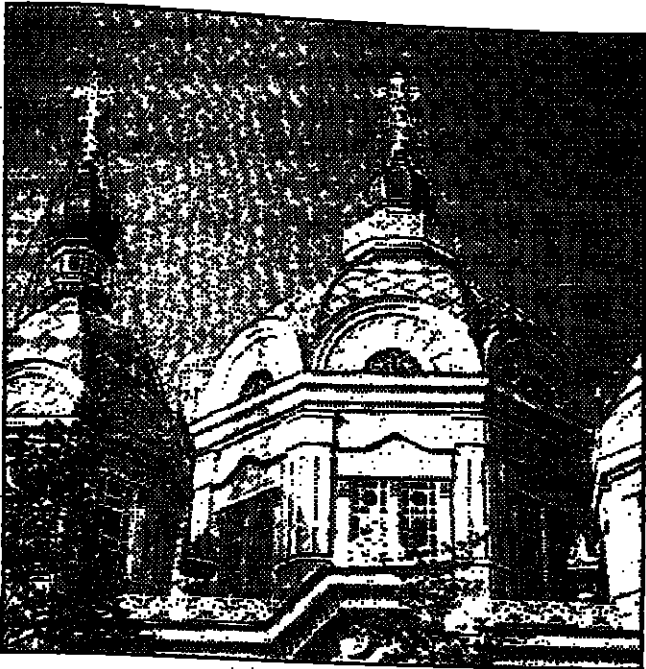
**Friday's 4 p.m. Close**  
(Continued)

[illegible]

12 Month High Low Stock	Dr	Vs	Pc	MS	High	Low	Lowest	Close
1997-01-01	100	100	100	100	100	100	100	100
1997-02-01	100	100	100	100	100	100	100	100
1997-03-01	100	100	100	100	100	100	100	100
1997-04-01	100	100	100	100	100	100	100	100
1997-05-01	100	100	100	100	100	100	100	100
1997-06-01	100	100	100	100	100	100	100	100
1997-07-01	100	100	100	100	100	100	100	100
1997-08-01	100	100	100	100	100	100	100	100
1997-09-01	100	100	100	100	100	100	100	100
1997-10-01	100	100	100	100	100	100	100	100
1997-11-01	100	100	100	100	100	100	100	100
1997-12-01	100	100	100	100	100	100	100	100
1998-01-01	100	100	100	100	100	100	100	100
1998-02-01	100	100	100	100	100	100	100	100
1998-03-01	100	100	100	100	100	100	100	100
1998-04-01	100	100	100	100	100	100	100	100
1998-05-01	100	100	100	100	100	100	100	100
1998-06-01	100	100	100	100	100	100	100	100
1998-07-01	100	100	100	100	100	100	100	100
1998-08-01	100	100	100	100	100	100	100	100
1998-09-01	100	100	100	100	100	100	100	100
1998-10-01	100	100	100	100	100	100	100	100
1998-11-01	100	100	100	100	100	100	100	100
1998-12-01	100	100	100	100	100	100	100	100
1999-01-01	100	100	100	100	100	100	100	100
1999-02-01	100	100	100	100	100	100	100	100
1999-03-01	100	100	100	100	100	100	100	100
1999-04-01	100	100	100	100	100	100	100	100
1999-05-01	100	100	100	100	100	100	100	100
1999-06-01	100	100	100	100	100	100	100	100
1999-07-01	100	100	100	100	100	100	100	100
1999-08-01	100	100	100	100	100	100	100	100
1999-09-01	100	100	100	100	100	100	100	100
1999-10-01	100	100	100	100	100	100	100	100
1999-11-01	100	100	100	100	100	100	100	100
1999-12-01	100	100	100	100	100	100	100	100
2000-01-01	100	100	100	100	100	100	100	100
2000-02-01	100	100	100	100	100	100	100	100
2000-03-01	100	100	100	100	100	100	100	100
2000-04-01	100	100	100	100	100	100	100	100
2000-05-01	100	100	100	100	100	100	100	100
2000-06-01	100	100	100	100	100	100	100	100
2000-07-01	100	100	100	100	100	100	100	100
2000-08-01	100	100	100	100	100	100	100	100
2000-09-01	100	100	100	100	100	100	100	100
2000-10-01	100	100	100	100	100	100	100	100
2000-11-01	100	100	100	100	100	100	100	100
2000-12-01	100	100	100	100	100	100	100	100

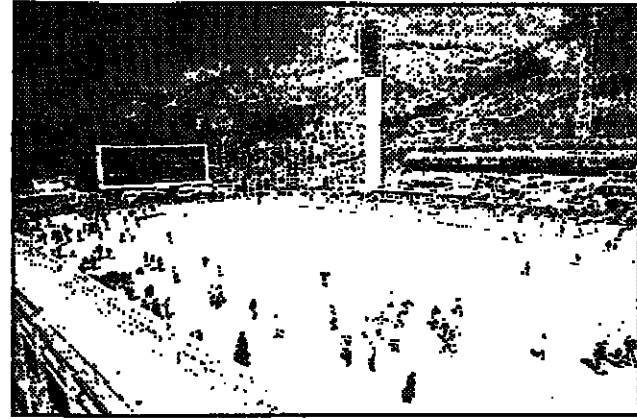
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The Almaty Orthodox Cathedral is one of the largest wooden religious structures in the world (above); the international fair ground and exhibition center in Almaty (right); the Medeo speed-skating rink - the largest in the world - 1,700 meters (1,860 yards) above sea level (far right).

# Kazakhstan



*Kazakhstan stands to benefit greatly from foreign investment. Economic indicators are positive, and opportunities for investors are plentiful. The largest stakes are in the oil and gas sector.*

## NEW PLAYER JOINS THE INTERNATIONAL BUSINESS WORLD

*Kazakhstan hopes to join the top economic ranks.*

After a certain amount of euphoria in 1994, significant changes were expected to take place during 1995 in the emerging independent Republic of Kazakhstan, the largest of the CIS's Central Asian Republics (it is the size of the whole of Western Europe, with a population of 17 million). It has vast oil and gas resources, which some believe could make it the "Kuwait of Central Asia" in the next century.

**Oil and gas**  
More than 50 oil companies have already invested billions of dollars in joint ventures exploiting the hydrocarbon resources. Five years ago, there were only about a

dozen U.S. companies active in the country; today there are around 100 - plus another 900 from other Western countries. "Kazakhstan is an area of enormous potential, and its commitment to economic reform and an open market economy is creating favorable investment opportunities for foreign companies," says Lucien O. Noto, chairman and CEO of Mobil Corporation, a major investor in the republic.

There is further support from the World Bank: "Kazakhstan's long-term economic prospects are excellent, given its vast hydrocarbon and mineral resources, low external debt obliga-

tions, and well trained work force."

**Seesaw pace**  
Because of the country's extensive resources - gold, coal, copper, chrome and other strategic industrial minerals, as well as agricultural products - investors have many opportunities. Rebuilding and extending the infrastructure - roads, rail, telecommunications and power generation - are high on the agenda.

Unfortunately, the pace of socioeconomic and political reform slowed during the

first half of 1995, but the year has ended on an upbeat note with a period of stabilization and indications of possible growth ahead. Nursultan Nazarbayev, who became the republic's first president in 1990, has mainly been governing by decree since the dissolution of the parliament last spring. He says that referendums this year supported a new democratic constitution and an extension of the presidency until the year 2000.

Afterward, Mr. Nazar-

*Continued on page 13*

## PRESIDENT: TOWARD A MARKET ECONOMY

*President Nursultan Nazarbayev, a former prime minister and First Secretary of the Republican Communist Party, became the Republic of Kazakhstan's first president in 1990. He began his career in a metal plant; later he graduated from college as an engineer and went on to become a doctor of science.*

In an interview about his four years in office, President Nazarbayev comments on the problems of socioeconomic reforms, including privatization. However, he looks forward to a period of growth and stability as foreign investment begins to flow. Inflation is being brought under control, there is a positive trade balance, gold reserves are up, foreign debt is manageable at \$2.7 billion, and major banking reforms are in place.

Kazakhstan's mid-term future depends on its oil and gas exports. President Nazarbayev is outspoken about Oman's role in the breakdown in the Caspian Sea pipeline consortium. "Any further delay to the project will cause major damage to our economy," he says.

Recalling the words of former West German Chancellor Ludwig Erhard, the founder of post-war reforms in West Germany, President Nazarbayev says that the transition of Kazakhstan to a democratic, pluralistic society with a dynamic developing market economy means that the people have to go through the purgatory of reform "not just for the sake of the reforms themselves but so that they may emerge as a new nation."

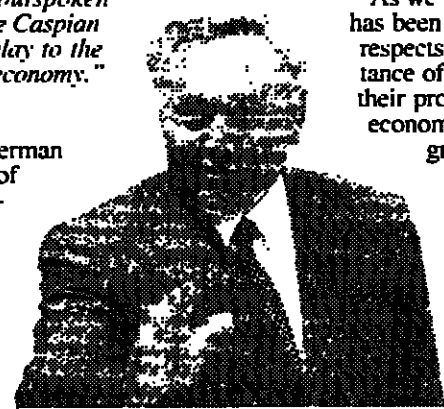
"We are still feeling the burden of

the past, both economically and psychologically. However, much has been done to lay the path for the future. We can say with confidence that all the prerequisites are there - progressive legislation, higher education, and a good skill base among the population. We have huge natural resources: we have industrial and agriculture sectors with considerable export potential.

"It is not mere chance that Kazakhstan, out of all the CIS and Eastern bloc countries, has obtained the largest share of new investments over the next 10 years. According to United Nations data, we are receiving \$47 billion out of a total of \$103 billion which is to be invested in the former communist countries. This means that these investors trust us and believe in our future. It is a trust that shall not be taken in vain.

"As we near the end of 1995, we can see that it has been a year of great change for us in many respects. Through our reforms, and the assistance of international financial institutions and their programs, we have stabilized our macroeconomy. Next year we will enter a period of growth.

"We are keeping within the national budget and have now brought inflation under control. In the 12 months ending last October, inflation has fallen from 125 percent to 50 percent... we do not expect it to exceed 12 percent by 1998. During the last nine months of



President Nursultan Nazarbayev

*Continued on page 13*

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## Kazakhstan

## PRIVATIZATION ACROSS MANY INDUSTRIES

The government's priority is fostering investor confidence. Foreigners can buy on the same terms as Kazaks.

"Sell, sell, sell!" is the message being heard loud and clear from the State Privatization Committee (SPC), which is just embarking on a new stage of cash auctions to dispose of thousands more state companies. This follows the introduction of recent legislation that allows foreign investors from both the CIS and other countries to take part in the cash auctions on the same terms as Kazak citizens.

"Our aim is to sell, not to make a high profit. Potential investors can buy shares in some attractive companies with full guarantees and without bureaucratic obstacles," says Uzel Duberman, deputy chairman of the SPC. "At present, Kazakhstan is one of the most attractive countries for investment and offers great opportunities with low risk," he adds. Already some major companies have been privatized following substantial investments by foreign companies. One of the first was the Almaty Tobacco Factory, which was sold in 1993 to Philip Morris for \$300 million. The aim is to increase production from 16 billion to 25 billion cigarettes a year. "It is one of the most successful privatizations in the whole of the former Soviet Union," comments a director of the Kazak National Bank. Other early privatizations include the Almaty and Karaganda Margarine Combines and the Shymkent Confectionery Factory.

Privatizations do not always go smoothly, as the Kazaks have learned to their detriment. A blaze of publicity last month announced that the large, troubled Karmet steel works complex had been sold to Ispat International, a British-based company. Karmet, which accounts for 10 percent of Kazakhstan's GDP, is the second-largest steel complex in the CIS. It was recently managed by two foreign groups whose contracts were severed for failure to meet their targets. Ispat International is owned by Lakshmi Mittal, an expatriate Indian businessman who has one year in which to pay 60 percent of the purchase price—described only "as the highest since independence." Production, now at 220,000 tons, also has to be increased by 30 percent.

Nigmatzhan Isingarin, first deputy prime minister, said that the sale marked a new phase in plans for a fundamental company reform. He believes that the main task of economic reform is to restructure enterprises.

Change of pace  
More than 20 other major companies in the metal and chemical manufacture and processing fields are being prepared for total or partial privatization and restructuring.

Last year, 4,100 companies were privatized under the existing privatization program, compared with 8,900 companies in 1992 and 1993.

Over half were sold through auctions and commercial tenders. More than 90 percent of all the companies disposed of so far have been in retail trade, public catering and consumer services, including laundries and bath houses (4,450 state-owned trucks were also sold). In addition, 162 farms were sold, of which 137 were exchanged for housing coupons.

Although privatization got off to a flying start, there has been a slow-down, particularly for small companies, because of a lack of interest on the part of Kazak nationals.

This month's cash auctions are taking place in Almaty, Jambul and Karaganda. According to Mr. Duberman, some of the leading companies whose shares will be on offer include Dzhezkazgantsvetmet, a non-ferrous metal producer;

Balkhashmed, a copper producer; and Khimprom, a chemical products concern. Between 5 percent and 10 percent of shares in these companies will be offered for sale.

Previously, shares in the former state companies were sold to Privatization Investment Funds (PIFs) for Privatization Investment Coupons (PICs), issued by the government to all Kazak citizens. This meant that every citizen could take part in the mass privatization program. The PICs will be invested in the PIFs, and the coupons will be exchanged for company shares to be sold at special "coupon auctions," which are scheduled to be completed by January 1, 1996.

Under the new stage of auctions, which continue in conjunction with the coupon auctions, anyone can bid for the shares on offer. Mr. Duberman says that the government is trying to instill a more competitive element by allowing foreign companies to act as auctioneers on a commission basis.

"This enables numerous auctions to be held simultaneously, thus increasing the speed and efficiency of the privatization effort," says Mr. Duberman.

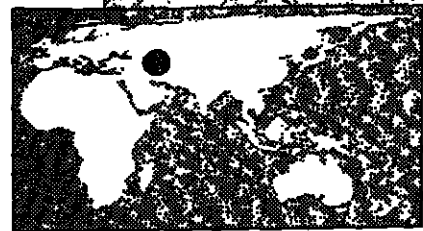
## Reforms Are Slated In the Banking Sector

President Nursultan Nazarbayev has promised new banking reforms and regulations with greater supervision and controls. A foreign investment law was introduced last year, and trading began for the first time on the Central Asian Stock Exchange (CASE) in Almaty last April. Both Kazak and foreign investors can buy shares.

With the development of a capital market system, investment banking is beginning in earnest as new players enter the market, especially with the current privatization program under way. Global Kazkommerts Securities (GKS), one of the early international joint-venture investment banks to open for business in Central Asia, has recently started up in Almaty. GKS is a joint venture between Global Securities (51 percent), one of Turkey's largest brokers, and Kazkommertsbank (30 percent), one of the largest private banks in Kazakhstan. Astana-Holding, one of the region's leading trading, financial and investment groups, holds a further 10 percent of the shares. "We are offering a complete range of investment banking services to both international and domestic clients, including corporate financing and advisory services," says Peter Phelps, managing director of GKS.

ABN-AMRO Bank is also offering investment banking services, in addition to conventional trade financing. "Our activities are increasing as more and more foreign companies begin drifting into Almaty," says Theo Bark, regional director for Central Asia and Eastern Europe at the bank's headquarters in Amsterdam. Mr. Bark says that the local banks are not very strong yet. "In fact they are rather weak, and the financial system as it exists today is not being entirely trusted," says Mr. Bark.

Training bank staff is an important role for ABN, which has 50 local employees out of a total staff of 67. "We are continually running a lot of training programs both in-house and in Amsterdam. We also train staff from other local banks and from the Kazakhstan National Bank," says Mr. Bark.



## THE ECONOMY: ONE STEP BACK, THREE STEPS FORWARD

New legislation will strengthen the financial sector.

The general view on Kazakhstan is that the economy is stabilizing, although a large number of problems still remain. Inflation has been brought down from a crippling annual 1,156 percent in 1994 to 50 percent last October and, according to President Nursultan Nazarbayev, will drop to 27 percent next year and 17 percent in 1997. Spending cuts of up to 25 percent have been made in the national budget in an attempt to meet IMF requirements that this year's budget deficit not be more than 3.3 percent of the GDP.

Throughout the Commonwealth of Independent States, there has been a dramatic drop in GDP caused by the collapse of trade between the CIS countries. But Hartman Fischer, who heads the Kazakhstan Institute of Management, Economics and Strategic Research in Almaty, says that some local economists believe there will be a 5 percent real growth in GDP during 1996 because of increased investment and an anticipated rise in exports.

"At present, and in spite of the 1994-95 drop in GDP, Kazakhstan now finds itself with a current account surplus. Up to the end of last July there was a positive trade balance, and a surplus of \$164 million was being projected for the first semester. According to state statistics, exports rose by 18.4 percent in real value during 1994," says Prof. Fischer. (Accurate, up-to-date figures are virtually impossible to obtain, and many of those that are available from the state statistical office have to be interpreted with care.)

There is some evidence that trade will continue to pick up next year as Kazakhstan forges stronger links with the other CIS countries as well as with Turkey, the Middle East na-



Bulat M. Abilov, a rising young entrepreneur, is the general director of BUTYA (top photo); a more modest form of enterprise (above).

tions and China. One government report states that during the first five months of this year, the terms of trade with countries outside the CIS totaled just over \$1 billion, giving, according to a Reuters report, a non-CIS surplus of \$132 million. This was said to be due to a 13 percent fall in imports and a 57 percent rise in exports.

Last July, a bilateral trade agreement was signed with Russia under which a number of oil and gas exchanges will be made. These involve approximately 7 million tons of oil and 4.2 billion cubic meters (5.5 billion cubic yards) of natural gas from Kazakhstan and 1.7 billion cubic meters of gas from Russia.

The London-based Economist Intelligence Unit says such swaps are needed because the hydrocarbon industries of both countries "are still heavily interdependent." It is more practical for Kazakhstan's northern refineries to supply the much-nearer Russian market than its own smaller, distant local market.

## Regulations to the rescue

New banking and corporate legislation coming into force should help prevent financial disasters of the type that have occurred recently: a near-total lack of banking supervision and imprudent banking led to a \$100 million-plus rescue operation to save Alem Bank, the country's largest bank, and the former Foreign Trade Bank.

In addition, a financial front company based in London tried to extract \$5 billion from the National Bank of Kazakhstan by the use of forged guarantees. If the fraud had succeeded, it would have bankrupted the country, whose total reserves are under \$2 billion.

Although there are still many structural reforms to be put in place, Western experts like Prof. Fischer are "cautiously optimistic" about the economic future.



Dozens of trade missions—this one is from Britain—go to Almaty.

## SPOTLIGHT

## Future Business Leaders Are Homegrown

From communism to capitalism and a democratic market economy is just a short step along the corridor in the former High Academy of the Communist Party in Almaty, which has become the Kazakhstan Institute of Management, Economics and Strategic Research (KIMEP). It is not the first time that an old communist party headquarters in the CIS and Eastern bloc countries (Bulgaria, for example) has suddenly been transformed into a Western-style think-tank.

## Regional advantage

The institute, which was founded four years ago by President Nursultan Nazarbayev, has about 400 students and is funded by foreign governments and corporate sponsors.

"It is widely viewed as a regional leader in education, offering study programs leading to masters of business administration, public administration, arts

or a degree in economics," says Hartmut Fischer, executive director of the institute.

## MBAs and MPAs

One of the most successful courses has been the MBA program, conducted in association with the European Union's TACIS (Technical Assistance for the Commonwealth of Independent States) project. Next May, the third class of MBA students will graduate. Some of the earlier graduates have themselves become instructors alongside core European professors.

Prof. Fischer says that the MBA program is affiliated with the London and Copenhagen Business Schools and adds: "The vast majority of MBA graduates go on to work in a managerial capacity either for Western companies in Kazakhstan or for the growing number of local companies."

Next May will also mark the graduation

of students taking the first MPA program, which is aimed at broadening the skill base of future public administrators. Students begin the course with a curriculum that is part of the MBA program. This includes accounting, marketing, production and operation management, and economics. They then go on to more specifically oriented policy courses—welfare and social policy, or ethics and public policy.

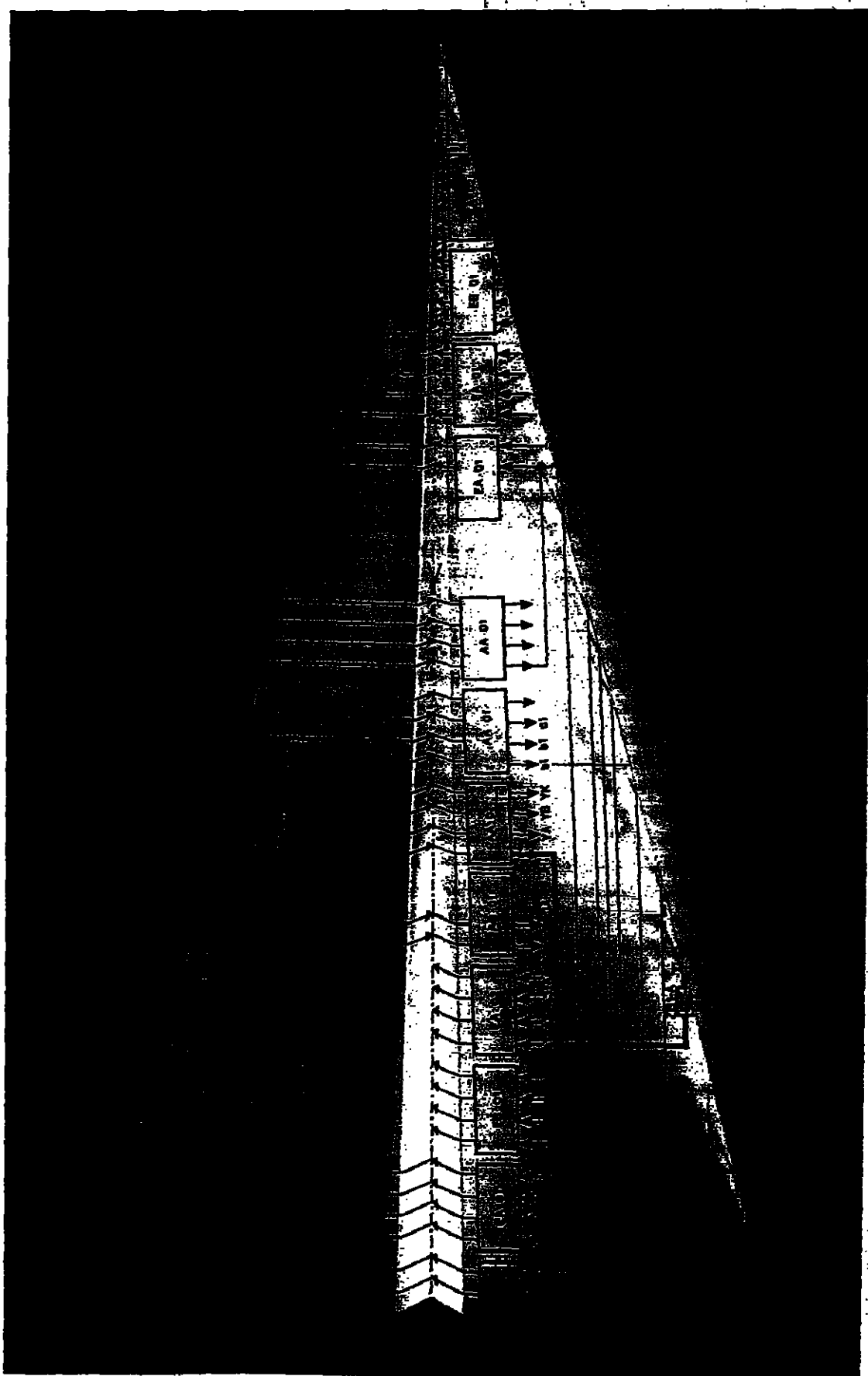
"This prepares them for work either in the Kazak government, multinational organizations, or nongovernment organizations," says Prof. Fischer.

## Economists of the future

The MA program in economics, which is funded by the USAID, provides students with the fundamentals of economics and business.

"Our aim is to turn out economists, policy advisors and future teachers," says Prof. Fischer.

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WRITER: Michael Frenchman, a London-based writer who specializes in the Middle East and Central Asia.  
PROGRAM DIRECTOR: Bill Mahder.





# Kazakhstan

## MOVING TOWARD A MARKET ECONOMY

Continued from page 11

1994 the value of the tenge [the national currency] against the U.S. dollar decreased sixfold and so far this year it has decreased by less than 5 percent.

"This year we have reached a positive trade balance, and there has been a considerable increase in our gold reserves. Our external debt is now fully under control.

"We have managed to halt the decline in industrial production, and there seems to be a steady monthly growth in many sectors after many large state companies were offered to foreign management for varying periods, with the final option of outright control.

"And, finally, this year much of our economic legislation has been modified. Foreign companies now have the same rights as local investors to purchase land, factory buildings and capital equipment and also to repatriate profits.

"Unfortunately, under the former planned economy, our system was based solely on the production of raw materials. We used to be told when to sow wheat, when to extract ores and the government would take care of the rest."

"But... look what we have achieved in only a few years. We have started full-scale socioeconomic reforms, we have done away with the centrally planned distribution system, and we have liberalized the economy and opened the doors for privatization and foreign investment."

### Avoiding conflict

"As for our social-political life, 1995 has been marked by a strengthening of stability and national consensus in both the state and society at large. Everyone knows just how delicate peace can be among the states of the CIS. We, a polyethnic society, have been fortunate to avoid these problems in Kazakhstan.

"We have avoided these disasters thanks to the unity and wisdom of our people — and plain common sense.

"Our people's support was shown during the referendum earlier this year, when an absolute majority voted for a new democratic constitution and an extension of the presidency until the year 2000. The simple reason behind these steps was to ensure that our policy of reforms could be carried through to a logical conclusion.

"Earlier this year we introduced a number of reforms which are now coming into operation. These affect the operation of the National (Central) Bank and our commercial banks. We have now coordinated policy-making activities between the National Bank and the Ministry of Finance.

"We are also applying standards set by western central banks in determining monetary and currency regulations, credit, international accounting standards, supervisory controls and support mechanisms for the commercial banking sector.

"Generally speaking, I think we can say that our banks are becoming more professional and more prudent when it comes to project evaluation for credit. The days of 'easy credit' with virtually no controls for state companies have now ended. Also savings instruments have been improved.

"Foreign investment is the catalyst for economic reform. About \$2 billion has so far been invested in Kazakhstan, primarily in the oil, gas and mining sectors, which are of great interest to foreign investors. There is also great potential for further foreign investments in the metal and chemical industries, as well as in energy, telecommunications and manufacturing.

"During a recent meeting in Paris of a financial consultancy group and international financial institutions, complete satisfaction was expressed at Kazakhstan's progress in introducing economic reforms. And the donor countries and organizations agreed to \$1.22 billion of new credits.

"Last June the International Bank for Reconstruction and Development agreed a \$180 million loan for structural changes to the economy and a further \$44 million for social development programs. Financial experts say that for every international \$1 loan or credit, \$3 must be generated by private sector investment. This is what is happening here.

"We are continuing to strive for a stronger investment climate, and we believe that we have created some of the most favorable conditions in the CIS for foreign investments.

"Kazakhstan's economic future depends largely on exploiting its rich hydrocarbon resources. Our oil resources are of long-range global importance and sincere interest to some of the world's largest oil companies. We are actively cooperating with Chevron in the exploitation of the gigantic Tengiz oil field. Mobil is also likely to join in the project.

"Recently we made an agreement with Agip of Italy, British Gas of Britain and Lukoil of Russia to exploit one of our richest resources, the Karachaganak gas condensate field. Work is also going ahead on the exploitation of oil in the Kazakhstan sector of the Caspian Sea.

"The companies involved include Shell, Mobil, Total, British Gas, British Petroleum and Statoil. We have now reached a new stage in the pipeline project to the Black Sea. The pipeline runs from the Tengiz oil field to Novorossiysk through Russian territory. The construction will be carried out by Kazakhstan, Russia and a foreign company.

"The agreement for the Caspian Sea pipeline consortium was to have been undertaken by the Sultanate of Oman. Unfortunately, this agreement was not implemented by the contract date of October 1.

"This year we and Russia have been compelled to look for new partners.

"We must emphasize that the demand for transporting our oil and gas resources is going to increase substantially each year. This is why, as a matter of urgency, we must consider all possible options for the export of oil.

"Firstly, we will construct the pipeline to Novorossiysk. Any further delay to the project will cause major damage to Kazakhstan's economy. Consequently, if it is necessary, we shall reconsider any of the terms and conditions for the pipeline project.

"Secondly, we are taking a positive view about the proposed pipeline project from Azerbaijan via Georgia. Thirdly, we are proposing to Russia that there be an increase in oil transportation through existing pipelines."

### Privatization is fundamental

"Privatization is the fundamental issue, especially in countries like Kazakhstan where the state sector does not have development finance for production.

"From the first steps of reform, privatization was made a top priority. It's no secret: we did commit some mistakes in the early stages, mainly in determining how it should be implemented. So I cannot say I am completely happy about the progress of privatization. But, it is an irreversible policy and has now been accepted by the Kazak people.

"If you are going to introduce a successful privatization program, you must learn from others' mistakes."

Interview by Michael Frenchman



The issue of exporting oil and gas is probably the one thing standing between Kazakhstan and economic greatness.

## OIL AND GAS: CHALLENGES AND POTENTIAL

Flooding, money shortages and pipeline problems must be tackled if Kazakhstan is to be "the new Kuwait."

Foreign companies will have to invest \$35 billion in joint venture operations if Kazakhstan's oil production is to reach a target of 1.4 million barrels a day by the year 2010. Gas output could reach 4 billion cubic feet a day by the same year. Total oil and gas condensate reserves are estimated at more than 16 billion barrels (2.2 billion tons).

Wood Mackenzie, a Scotland-based energy consultancy, has just compiled a comprehensive 300-page survey\* of the oil and gas sectors in Kazakhstan — considered by some experts to be the Kuwait (which has 13 billion tons) of Central Asia.

David Hutchison of Wood Mackenzie takes a more cautious view and tells oil companies that Kazakhstan has to get its export routes and contracts with foreign oil companies sorted out. He warns: "Until this happens, the potential for increased oil and gas production is very limited." But he agrees that once the pipeline problems are overcome and following further exploitation of existing resources, as well as potential new discoveries made onshore and on the Caspian Sea, "Kazakhstan's world oil class potential will not be in any doubt."

Current oil and condensate production is under 500,000 barrels a day from existing fields. More than 50 foreign companies are involved in joint ventures. Among the major players are Chevron, Total, British Gas, TPAO, Mobil, Repsol, Agip, Lukoil, Gazprom, Oryx and Canadian Occidental.

The main fields undergoing development, which could push output up to 1.4 million b/d by 2010, are the Karachaganak and Tengiz fields. The latter is by far the largest, with recoverable reserves over the next 40 years of some 6 billion barrels of oil and about 2 billion barrels of condensate from Karachaganak. Production at Tengiz began in 1991, and two years later Chevron signed a joint venture with

Tengizmunaigaz to fully exploit the field and its satellite, Korolev.

There have been some contractual problems with production in the Karachaganak field, which is in the North Caspian Basin close to the Russian frontier. A preliminary agreement with British Gas and Agip was signed earlier this year. It is hoped they will be able to boost production, which has been declining.

### The hurdles

Another practical difficulty, besides a shortage of money for Kazakhstan's national oil and gas companies to continue exploitation, is, ironically, flooding. While the Aral Sea has been rapidly drying up, the Caspian Sea has been rising at an alarming rate — more than 2 meters (2.19 yards) since 1978 — causing extensive flooding of oil wells. In some places, the sea has advanced inland by 70 kilometers (43.5 miles). Mr. Hutchison says more than 100 wells in the Tengiz field have been flooded, and an estimated minimum of 1,000 wells on the north-east coastline are at risk. But the most serious problems are the lack of clarity and stability of licensing and taxation procedures, and the unavailability of export pipelines.

Last summer, a new petroleum act came into force that should ease negotiations for foreign companies and their joint venture partners.

A number of oil companies consider Kazakhstan to be one option for the future rather than a firm commitment for today. They have been disappointed by the government's delays in establishing a stable fiscal regime and by the time that it takes to negotiate contracts.

The main practical challenge is how to export the gas and oil. Kazakhstan presently operates six main oil pipelines and eight gas trunk lines totaling more than 6,000 kilometers. Unfortunately, the whole system was part of the CIS network designed for inter-

national transportation rather than for export. Consequently, all crude oil and gas exports have to pass through Russia — an irksome situation for international oil majors and for Kazakhstan. "It is inadmissible that there should be such control over revenue," said Konstantin Zhigalov, head of the president's international department.

Mr. Hutchison comments: "Without a reliable oil export pipeline, Kazakhstan will continue to be dependent on Russia, and it will not be possible to secure the hard currency income required to achieve the economic growth potential of the country."

### Permanent interdependence

Until recently, negotiations between Russia and Kazakhstan over export lines have resulted in a more or less stand-off position. It seems from President Nursultan Nazarbayev's remarks, however, that an accommodation is being reached with Russia over pipeline routes to the Caspian and Black Seas.

Several observers now agree that the permanent interdependence between the Kazakhstan and Russian economies is being recognized, particularly concerning the development of hydrocarbon resources. Mr. Nazarbayev has said he will reconsider any proposals with Russia for export pipelines, which he feels are a matter of great urgency. The situation has become especially critical in view of the failure to reach agreement on the Caspian Sea pipeline consortium by the target date of last October 1. This leaves the whole issue of oil players, pipeline constructors and export routes wide open. Although the massive oil and gas potential is unquestionable, it is the terms offered to the foreign oil companies that will dictate the speed of development.

\*Kazakhstan Report, Wood Mackenzie Consultants Ltd., 74-7 Queen St., Edinburgh EH2 4NS, United Kingdom, fax 44 131 243 4435.

## A NEW INTERNATIONAL BUSINESS PLAYER

Continued from page 11

Nazarbayev declared parliamentary elections for earlier this month — a decision supported by the international financial community and the European Union, as well as by many Kazak citizens. However, not enough votes were cast to elect a new lower house of parliament. Another election will take place at a date that has not yet been determined.

Nevertheless, the president can, with some justification, claim to have put some reforms and structural changes on the move again. There have also been some economic plus points — inflation down to double figures, a trade surplus, increased gold reserves and a moderate foreign debt.

President Nazarbayev has introduced new legislation to cover the supervision and operation of both the central bank and the local commercial banks. A new petroleum law affecting new investments has been enacted, a

much more liberal investment climate is being created, and land and property ownership is being reviewed.

The mass privatization program is entering a new phase of sell-offs, but there is currently little or no post-privatization managerial and financial support. This has led to a number of closures and bankruptcies.

Mr. Nazarbayev acknowledges that some mistakes have been made in the program. Last year, 4,100 companies were privatized, and by last August about 5,000 small businesses had been sold. Further auction sell-offs are currently taking place.

During the last five years, Kazakhstan's economic situation, along with that of other CIS countries, has rapidly deteriorated because of a breakdown in the countries' mutual interdependence in trade and commerce. According to the International Monetary Fund's latest report, however, Kazakhstan's

economy has reached a crucial turning point for the better. Next year, GDP is expected to grow by up to one percent — whereas it fell 13.3 percent during the first nine months of 1995.

The latest World Bank report confirms the view that the "long and deep recession is beginning to abate as the government accelerates reform... while a turnaround to positive GDP growth is still in the future, the recession is showing signs of bottoming out."

Kazakhstan has been receiving substantial foreign investment — about \$47 billion since independence. International aid agencies such as the World Bank and the European Bank for Reconstruction and Development were initially supportive but have taken a more cautious approach in 1995.

The confidence of international aid agencies is returning as the economy picks up. Bankers' main concerns are about the pace of structural reform and the government's sometimes ambivalent attitude toward Western and more democratic practices in signing contracts, seeking competitive tenders for projects and making major privatization offers.

This has caused some bottlenecks in the expansion of the economy, but positive action is being planned under a program of reforms for 1996-98.

Late last month, Prime Minister Akezhan Kazhegeldin told the government, which had approved next year's draft budget, that the

program "was to consolidate the results achieved in 1994 and 1995 in the field of macroeconomic stabilization and restructuring, to stop the fall in production and to ensure an economic upturn and better living standards for the population."

"Increasing inflows of foreign direct investment and joint ventures show that the government's increasing market-oriented liberalization is beginning to take root," comments the World Bank.

### ISO new partner

The most serious problem has been the issue of export pipelines for the vast potential reserves of oil and gas (16 billion tons by the year 2010). It is likely that two pipelines will be built, terminating on the Caspian or Black Seas.

The Caspian Pipeline Consortium (formed in 1992), which was to have included Russia and the Gulf Sultanate of Oman, has fallen through, and Kazakhstan is looking for a new partner to replace Oman.

According to Mr. Nazarbayev, an agreement has now been reached with Russia, which has so far held the trump card over pipeline routes because these necessarily pass through the state.

"We will reconsider any terms," says Mr. Nazarbayev, who is concerned that any further delays over export pipelines — which, in any event cannot be completed before 2000 — will seriously damage Kazakhstan's economy. ■

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# Kazakhstan

## THE CONSUMER ERA HAS ARRIVED

Many come to buy; more still come just to look.

The Zangar Trade House, a department store on Abay Khan Avenue, Almaty, has changed management after 40 years. It is one of the first state companies to begin the journey down the privatization road. The store's 10,000 square meters (11,960 square yards) of shop floor space is now crisscrossed with imported goods - from Wella beauty-care products to the latest Sony CD and cassette players. There are leather jackets from the Netherlands and wool sweaters from Guatemala, kitchenware from Italy and enamel plates from China.

A taste of the consumer age has finally arrived with the display of goods in this store. Trade experts say that what is unique is that some 65 percent of everything on show has been imported.

The man behind the change is exuberant Askar Abdildayevich Nugmanov.

He is president of the new joint-stock holding company in which 10 percent of the shares are held privately by the 700 employees of the company. The remainder is still in the hands of the state, but, as the move toward greater privatization continues, the state's share is likely to be reduced. "At the moment, it has not been decided how the second stage of privatization will continue," says Mr. Nugmanov, who took over as president a year ago. He has revolutionized the shop floor, which seems always to be crowded with customers, even though the goods are beyond the means of many.

**Ring cash registers**  
This is an emerging country where the price of an imported can of beer (\$4) may represent at least a week's wages for an office worker. But Mr. Nugmanov is not



Kazakh stores come in all sizes. The BUTYA complex specializes in well-known Western luxury goods.

to be put off. His 500 sales assistants continue to ring up the cash registers (unless there is a power failure, in which case they turn to the trusty abacus). Those who cannot buy still come just to look. "Somehow we find the money and we continue to exist," says Valentina, an office manager and single mother with two children. Make no mistake about this: sales have risen dramatically, says Mr. Nugmanov. "In the first five months of trading as a joint stock company, our turnover has risen

500 percent. Our system has changed completely and so has the attitude of the staff. Everyone is interested in seeing that we do well."

Already Mr. Nugmanov is thinking of expanding and introducing new product lines. "We have been talking with U.S. companies about importing foodstuffs, and we would like to have more sports goods and leisure wear, as well as other items like jewelry. We not only want goods from suppliers, but we would also like them to invest in the company,

particularly those with retail and wholesale know-how. We would like to become agents and distributors for foreign manufacturers of consumer goods."

**Blueprint for business**  
Mr. Nugmanov hopes to make better use of the available floor space and to introduce the "shop-within-a-shop" concept on a franchise basis for foreign suppliers. At present, he has about 1,500 foreign and local suppliers. Garments represent about one third of sales.

While Mr. Nugmanov may have ambitions, he is realistic enough to understand that with only a 10 percent private holding, expansion plans are not without problems.

"We are also desperately short of investment capital, and we only have one small credit line in hard currency as tange (the local currency) are not acceptable... we can offer no collateral, not even on the buildings."

The store is only one operation within the Zangar group, which has become one of the more active new-style trading companies seeking foreign agencies and distributors across many sectors, particularly in foodstuffs.



The Rastat Palace, which recently opened, welcomes business travelers to Almaty.

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## TIPS ON DOING BUSINESS

Hotels, dining, and other services vary greatly - but high quality can be found.

The Central Asian Republics are very much frontier land for doing new business, but the situation does change for the better every month. First-time visitors to Almaty are likely to be shocked from the moment they touch down at the airport - no proper baggage

handling, and a fight for transport to the hotel if no-one is there to meet them. Accommodation in the local hotels can be surprisingly good or absolutely terrible by Western standards. The poshest is the newly opened Marco Polo, which is beyond the means of all except the most affluent business travelers.

who has established a very good reputation. Prices generally are about the same, perhaps a little less in some cases, than similar restaurants in Western European capitals. Local delicacies are often based on horse meat and mutton, with fermented mares' milk to drink

Dining facilities are reported to be excellent. Slightly more modest is the government's official visitors' hotel - the Hotel Dostyk, with a good European-style dining room. The Hotel Otrar is refurbishing floors to cater to the rapidly increasing business market; so is the massive old Soviet-style Hotel Kazakhstan.

**Talking and eating**  
Telecommunications, at present being reappraised for an upgrade, are poor. It can be difficult to dial out internationally, but dialing internally is not at all bad. Cellular and satellite phones are increasing in number. In fact, there are card-operated satellite phones for public use in half a dozen spots in Almaty, including the lobby of the Hotel Otrar and the airport departure hall. These are extremely efficient.

Eating out in Almaty is a gamble, but there are some recommended restaurants, including the Italian Adriatico and another restaurant in the International Business Club, a favorite meeting place for the international community. The latter is run by a Turkish entrepreneur

Getting around  
Taxis can be hailed or called by radio. Many private cars are available for hire, but one must be sure of one's destination. Taxis and private cars can be hired by the day, which is probably the best way for people to get around if they have a number of appointments. Drivers are sometimes unobtrusively armed to protect their customers. Muggings are reported, but the situation is probably no worse than in some large European cities.

Several legal and accounting firms, as well as foreign embassies, provide limited background briefs or small publications on the business environment. One of the latest, "An Introduction to Doing Business in Kazakhstan," published by Baker & McKenzie, provides detailed information on company formation and legislation on investment, taxation, employment and the general working environment.

## ERNST & YOUNG

### INVESTORS TAKE LONG-TERM VIEW

Over the last three years many international companies have studied the investment opportunities available in Kazakhstan. Some, like Chevron, Philip Morris, Efes and indeed Ernst & Young, have decided to invest. Others are maintaining a watching brief and some have decided to place their capital elsewhere. The question is, who has made the right decision?

The potential benefits of the country have been well-publicised. The country is rich in oil and gas, diamonds, gold and other natural resources. This, combined with a commitment to economic reform, a popular president and stable political environment, and a well-educated population, has made Kazakhstan a major competitor for the world's private capital. So why does the Republic not appear higher in league tables of investment interest of major multinationals?

We at Ernst & Young meet many of the companies exploring the investment opportunities in Kazakhstan. Ernst & Young also advises many of the significant investors already doing business here. The principal areas of concern typically encountered are connected with an uncertain legal and fiscal environment, a high tax burden, a lack of systems, rules and legislation to facilitate an efficient market economy, and a high level of bureaucracy. To some extent this is to be expected in a country making such a significant economic transition.

However, it is not all doom and gloom. The Government is making real efforts to effect change. This is evidenced by the recent introduction of the Tax Code, a piece of legislation designed to reduce the number of taxes (formerly there were over 45 taxes that were theoretically applied to a company), make compliance easier and create stability. This has undoubtedly been a step forward and now provides a framework on which to make further improvements. The fiscal regime however still requires changes in a number of areas, such as personal taxation, VAT and withholding tax. The introduction of additional government exactions such as the Road Fund or the Fund for the Movement of the Capital to Almaty, not envisaged in the Tax code, also appears as a step in the wrong direction when fiscal stability was stated as a fundamental aim in the tax reform programme.

In summary, the recent changes to fiscal and business law have provided tangible evidence of the desire for attracting new foreign investment. However, one fact that the majority of companies in Kazakhstan agree on is that investment in the current environment is for the long-term. Those who believe they will come and make a fast buck are usually quickly disappointed. For those who stay, and endure the pain of change, the belief is that the ultimate gains will reward their patience.

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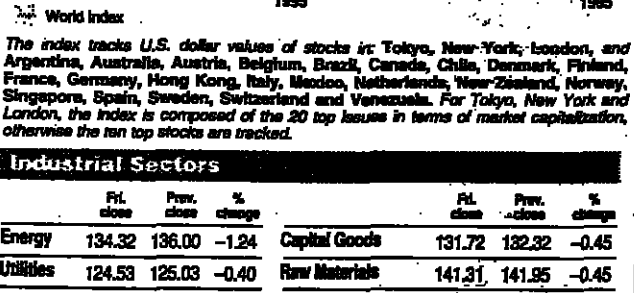
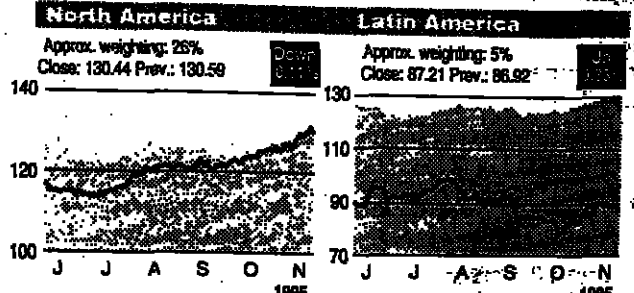
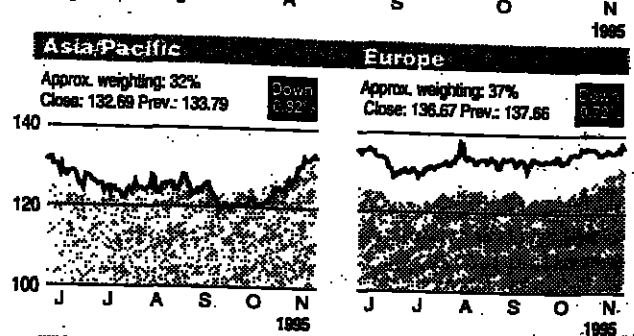
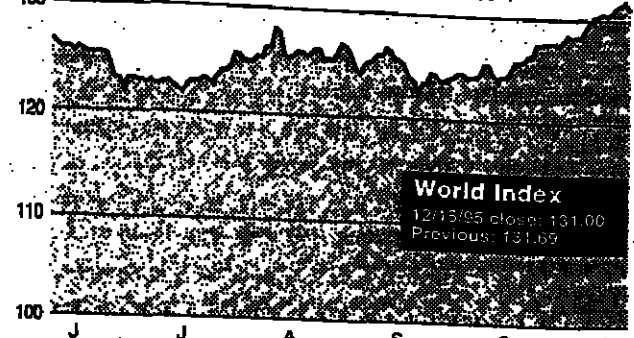
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**THE TRIB INDEX: 131.00**  
International Herald Tribune World Stock Index, composed of 280 internationally investible stocks from 25 countries, compiled by Bloomberg Business News, Jan. 1, 1992 = 100.



**Industrial Sectors**

Sector	Index	Change
Energy	134.32	-1.24
Utilities	124.53	-0.40
Finance	126.10	-0.46
Services	120.10	-0.18
Capital Goods	131.72	-0.45
Raw Materials	141.31	-0.45
Consumer Goods	137.90	-0.30
Miscellaneous	132.17	-2.08

For more information about the index, a booklet is available free of charge. Write to Trib Index, 181 Avenue Charles de Gaulle, 92521 Neuilly Cedex, France.

## For Japan, 'Groping' Toward a Recovery

By Erik Ipsen  
International Herald Tribune

**TOKYO**—Japan's economy has been spinning its wheels in the mud for the past several months, but although it is still stuck, there are some encouraging signs, a government report said Friday.

The economy has begun to grope in the direction of recovery, a senior official at the Economic Planning Agency said. An upturn in housing construction and gradual recoveries in private consumption and capital investment were signs of improvement, according to the agency's monthly report, which represents Japan's official assessment of the economy over the past month.

In particular, capital investment got a boost when October private machinery orders showed a seasonally adjusted 1.8-percent jump from the previous month, the largest month-to-month rise since April.

The EPA also said that Asia's currency authorities appear to have shifted their focus away from the U.S. dollar toward the yen to counter inflationary pressures and to protect foreign debt holdings.

"We strongly believe that there will be quite a strong recovery in '96 in Japan," said Christophe Aumard, a fund manager at Gamma Asset Management in Tokyo who manages 8 billion yen (\$78.6 million) in Japanese equities.

Separately, Toyota Motor Corp. said Friday it expected domestic sales in 1996 to rise 6 percent, to 2.18 million vehicles.

Domestic output is expected to rise 6 percent, to 3.35 million vehicles, Toyota said, adding that exports would be unchanged from 1.2 million vehicles this year. Overseas output will rise 9 percent, to 1.37 million vehicles.

(Reuters, AFP, Bloomberg)

## Introducing the, uh, Euro Currency Gets a Name Nobody Loves

By Erik Ipsen  
International Herald Tribune

**LONDON**—Many organizations, products and individuals have prospered under seemingly uninspired or even downright rotten names. Now, with the decision Friday to name it the Euro, Europe's new single currency, too, will have that opportunity.

"There is no passion in it," complained Malcolm Parkinson, head of the corporate communications consultant Segal & Gale. "It sounds dull and civil-servant-like."

To many ears, Euro does not have the ring of a measure of wealth. "It just does not sound like money," said David Warden, chairman and chief executive of the advertising agency McCann-Erickson in London. "It sounds like people like what we were all supposed to be."

Others were more sanguine. But others had reason to be. "I think it is a great idea," said Abid Hassan, the manager of Eurodream Limited, London manufacturers of women's underwear. "It will be good for us."

For the hundreds of companies listed in the London telephone book—from Eurotext, the edible nut company, to Eurodigs, an apartment rental agency—the naming of Europe's future single currency opens up new horizons.

But elsewhere, the naming of the new currency may create nothing short of mass confusion. Britain's hearty band of Euro-skeptics, for instance, must now strive to make it clear just what they object to—the entire notion of a greater Europe, or merely its currency. Similarly, Eurocrats might come to be the term for

those laboring in the halls of Europe's new central bank, rather than just a means to describe European civil servants more broadly.

And what are people to think of the Euro-tunnel? Heaven forbid that anyone should think of it as being a mere bottomless pit for investors' funds.

Some marketing specialists insist that confusion and a dull name notwithstanding, the Euro can surmount its unfortunate and humdrum moniker. "The Beatles" was a lousy name for a rock group, said Adrian Holmes, chairman of the Lowe Howard-Spink advertising agency. "But as soon as they came out with some good songs, it all worked out rather well."

As Mr. Holmes sees it, Europeans will come to love, cherish and respect their Euros if the concept can be made to work. If the single currency lives up to the hopes and dreams of its authors and makes life easier and less frustrating than the present system of 15 national currencies, then the Euro will ultimately have the success of the Beatles.

That task would be made immeasurably easier, say marketing specialists, if the EU's leaders could design a currency that looked—well, important.

"It needs to look grown up, like it has been around for centuries," Mr. Warden said. Having now seen what a committee of 15 came up with in the way of a name for its new money, some are fearful as to what aesthetic compromises lie ahead in the Euro's design.

"I suppose they will come up with a duck-billed platypus," Mr. Parkinson said.

## France Lowers a Key Rate

By Erik Ipsen  
International Herald Tribune

**PARIS**—The Bank of France lowered its floor interest rate a quarter of a percentage point Friday amid optimism about the government's chances to cut the country's deficit.

The central bank set its intervention rate, the cheapest rate of borrowing in the money markets, at 4.45 percent starting Monday, a quarter point below the rate set eight days ago. It was the third cut in the intervention rate in four weeks.

The rate cut came as a three-week-old strike by public workers opposed to government plans for the social security system appeared to be ending, giving analysts hope that Prime Minister's Alain Juppé's economic plans might succeed.

The move also followed by the day Bundesbank's dropping of half a percentage point

from its discount and Lombard rates.

"We don't think that this quick move is just a by-product of the Bundesbank's unexpected decision," said Eric Chaney, a senior economist at Morgan Stanley. "Had the Bank of France not been confident about the durability of the social security reform, it would have waited longer."

The franc was relatively stable despite the rate cut. The Deutsche mark finished in Paris at 3.4477 francs on Friday, up from 3.4434 on Thursday.

The interest rate cut comes as French economic growth is slowing, business confidence is at a 21-month low, consumer spending is weak, industrial and manufacturing output is falling and unemployment has risen for the past three months. The strike has also been a blow to the economy.

(Bloomberg, Reuters)

## U.S. Lets Sprint Enter Pact With 2 Europe Firms

By Lawrence Malkin  
International Herald Tribune

**NEW YORK**—The U.S. government Friday allowed Sprint Corp. to enter a joint venture with the telecommunications giants in France and Germany but warned its permission could be revoked if Sprint's European partners remained monopolies.

The Federal Communications Commission voted unanimously to allow Deutsche Telekom AG and France Telecom to buy a 20-percent stake in Sprint for \$4.2 billion in order to set up a global network. The decision was based on a new FCC rule requiring foreign telecommunications companies to open up competition at home before entering the U.S. domestic market.

Sprint said this cleared "the last regulatory hurdle" for the network to start handling business telecommunications early next year and then extend it to domestic services when national markets are opened in 1998 to competition by a directive of the European Union.

The European Commission in Brussels had at first warned it would veto the deal because Europe's two largest telephone companies were not deregulating fast enough. But in October it came closer to accepting their assurances, and a Deutsche Telekom spokesman, welcoming Friday's FCC decision, said the commission was moving toward approval.

The FCC put several conditions on its approval. The most important was that if by 1998 Sprint's European markets are not deregulated and open to competitors—presumably including its major rivals AT&T Corp. and MCI Communications Corp.—the FCC could take measures, not against the European govern-

ments, which are beyond its reach, but against Sprint for taking unfair competitive advantage. This could include revoking its line to Europe.

Other conditions included tighter regulation of Sprint as the dominant U.S. carrier serving France and Germany by limiting its trans-Atlantic lines until the two European companies open their lines to competitors. France Telecom also will be required to lower its international charges, which are on average 28 percent higher than German rates.

"This is intelligent market opening at work," said Scott Harris, the chief of the FCC's international bureau. A FCC official said that the FCC chairman, Reed Hundt, had "asked that we live up to our word" to open the country to competition.

There was no immediate reaction from MCI, which has accepted a \$4.3 billion investment from British Telecom and opposed the Sprint deal because deregulation on the Continent has not matched that in Britain.

Scott Harris, chief of the FCC's international bureau, said that, since the French and German telephone companies were still monopolies, the FCC's decision represents an intervention "to continue and speed up the open of French and German telecommunications markets. This is intelligent market opening at work."

The FCC could have threatened to force France and Germany to unwind their investment if they did not deregulate, but he said the agency preferred to keep the investment hostage to the process by making it in effect inoperable if they do not fulfill their promises.

"If you have \$4 billion in a company, you worry every time it rains on their headquarters," he said.

## ECONOMIC SCENE

### Consumers Don't Buy Cheerful Forecast

By Lawrence Malkin  
International Herald Tribune

**NEW YORK**—For practitioners of a dismal science, economists are almost uniformly cheerful about the U.S. economy's prospects for 1996. That is probably a paradoxical indicator of how uncertain the outlook really is.

The consensus forecast puts the nation in an economic sweet spot unmatched for 30 years. After completing a "soft landing" this year, growth and inflation are supposed to continue moving along in 1996 at the moderate speed imposed by the limits of the economy.

But then the clouds appear in the form of U.S. consumers: They account for two-thirds of economic activity, and no one knows whether they will keep on spending. This huge imponderable will determine not only the shape of the economy but the course of the financial markets in 1996 after a solid year of gains.

The average of forecasts from the 50 mainstream economists polled by Blue Chip Economic Indicators, a widely followed newsletter, is for 2.6 percent real growth in the gross domestic product in 1996, down from the estimate of 3.3 percent for 1995. Inflation as measured by the GDP deflator is forecast at 2.2 percent, only a half a percentage point higher than the estimate this year.

The economists also see unemployment hovering around 5.7 percent and virtually no wage inflation.

Moreover, two-thirds of next year's

### Holiday Sales Slow, Retailers Feel Pinch

The Associated Press

**NEW YORK**—With the Christmas shopping season winding up, business has been slow, and panicky retailers are slashing prices to bring in customers.

Sales are disappointing at Wal-Mart Stores Inc., the country's largest retailer, and other chains, analysts said. Even Bloomingdale's, a New York department store, has announced a five-day holiday sale.

"It isn't good," said Terrence McEvoy of Janney Montgomery Scott Inc., noting lower prices meant lower profits for the retailers in the critical fourth quarter.

"But upscale establishments such as Tiffany & Co. and Gucci are having a great season," said Jeffrey Fajner of Salomon Brothers Inc., a rising stock market makes wealthy customers even wealthier.

growth forecasts cluster within a half-point spread between 2.3 and 2.8 percent, compared to only about half within the same narrow spread a year ago, and there is also a widespread consensus about the causes of steady growth.

"Policy in Washington roughly has it right," said Allen Sinai of Lehman Brothers, citing the battle against the deficit and a monetary policy that so far has moved

defiantly ahead of events to give private industry room to reorganize and grow.

Another Wall Street analyst, John Lipsky of Salomon Brothers, said that while the markets may worry during an election year that Washington could stray from the new global policy consensus favoring balanced budgets and price stability, Europe faces a far graver dilemma in maintaining popular support for tight budgets at a time of high unemployment—as only a glance at the streets of Paris will confirm.

Nothing like this has happened since 1965, when Lyndon Johnson was president and boasted that the United States was adding the equivalent of the output of Belgium to its economy every year. Then came the Vietnam War and blew it all away. Could that happen again?

Very unlikely, said George Perry, an economist at the Brookings Institution in Washington, who was working inside the White House at that time. Now Congress at least is trying to cut the federal deficit, and "Bosnia is not Vietnam," he said.

But there are other differences in the structure of the U.S. economy, and they go directly to the heart of the fears about the forecast. Most important, said Mr. Perry, is that "labor now is in a buyers' market, the poor are worse off, and it could take five years to redress the balance."

In 1965 there was a strong labor movement with government backing. Now even Thomas Sweeney, the militant new

See SPEND, Page 18

## Italy Regulators Suspend Ferruzzi Issue

By Erik Ipsen  
International Herald Tribune

**MILAN**—Ferruzzi Finanziaria SpA's share issue of 953 billion lire (\$603.8 million) was suspended Friday from trading by the Italian stock market regulator Consob, dealing a setback to the company as well as to its adviser Mediobanca SpA.

Consob supervised trading in the shares and its rights, citing disclosure problems with the prospectus for the capital increase. The shares fell 1 lira, to 1,049, before they were suspended in early trading.

Regulators are asking Mediobanca to say whether the Milan investment bank intends to buy a 10 percent stake in Ferruzzi's old or new shares as part of its compliance with a previous ruling by the market authority.

The net effect is that the company's share issue has been stopped in its tracks.

for reasons that the market is only dimly aware of," said Umberto Barbieri, a trader at Pasfin Securities.

"The whole thing leaves me rather perplexed," said Luca Comi, an analyst at InterEuropa SIM.

The announcement came as Istituto Bancario San Paolo di Torino SpA of Turin and a group of allied banks have attempted to derail Mediobanca's plans to increase its control of Ferruzzi.

Mediobanca bought 10.7 percent of Ferruzzi in late October to "safeguard" the group's future, but Consob applied Italian stock market rules and said the merchant bank must launch an offer for a similar stake at a similar price.

Under the law, Mediobanca has until Dec. 30 to launch the public offer unless the higher court suspends it. The first meeting

of the court is scheduled for Tuesday.

Mediobanca unsuccessfully appealed the ruling earlier this week in court. San Paolo, which owns 14.7 percent of Ferruzzi, testified against Mediobanca in the proceedings.

Mediobanca did not provide details in the prospectus for the Ferruzzi offering, which it is managing, over whether it would buy the current shares of the company, or those being offered in the rights issue. The new shares sell for 1,000 lire each.

"It's a simple issue of disclosure," said Orazio Carabini, a Consob spokesman.

Ferruzzi is raising the money to help pay off its debt of 1.98 trillion lire. The offering was proposed by management as a last resort after a proposed merger with Gemina SpA collapsed that would have reduced Ferruzzi's debt.

(Bloomberg, Reuters)

## Nokia Stock Drops Steeply for a 2d Day

The Associated Press

**HELSINKI**—Nokia shares fell sharply Friday for a second day and the company's chief executive officer tried to reassure investors that the long-term outlook for the mobile phone business is strong.

Nokia Corp., best known for its mobile phones and telecom-

munications equipment, said Thursday it expected to post a loss in the final four months of the year and said it planned to restructure its consumer electronics business, which it said would post a loss.

Nokia's stock fell 20 percent in Helsinki on Friday to 160 markka (\$36.87) after falling 7

percent Thursday. In New York, Nokia shares fell \$2.125 a share, to \$33.375, from the previous session, when the stock fell 23 percent.

In an effort to control the damage, Nokia's chief executive, Jorma Ollila, said Friday that the company expected sales growth of 30 to 45 percent

for telecommunications systems and mobile phones.

"The great potential continues to be there, and there is, for instance, no reason to change our estimate of 350 million cellular subscribers in the world in the year 2000," Mr. Ollila said during a telephone conference call with analysts.

## CURRENCY & INTEREST RATES

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## Broken Hill Posts 18% Profit Drop

### Steel and Energy Blamed

Compiled by Our Staff From Dispatches

MELBOURNE — Broken Hill Pty. said Friday its first-half profit tumbled 18 percent as results weakened in its steel operations, which suffered from Asian competition, and its energy sector.

The company, Australia's biggest, said it earned 876 million Australian dollars (\$648.9 million) after tax and one-time items in the six months to Nov. 30, compared with 1.07 billion dollars in the like period last year. It said revenue rose 6 percent, to 9.19 billion dollars.

Although steep, the decline in profit was less severe than some investors had feared. The company's shares closed at 19.09 dollars, down 11 cents.

John Prescott, chief executive of Broken Hill, said Asian steel producers were a source of increased competition. "The level of competition in world markets including Asian markets has intensified," he said, adding that lower demand for steel in Japan had resulted in more Japanese steel on world markets.

The steel division earned 292 dollars in the first half, a drop of 15 percent from the like period last year. Domestic steel deliveries in the half were down 5 percent, the company said. Shipments to overseas cus-

tomers also dropped 5 percent. "It will be much more difficult in the second half to achieve the profits that we would like to in steel," Mr. Prescott said. He added, however, that the company had no intention of cutting steel production.

Profits from Broken Hill's energy business fell 24 percent, to 198 million dollars. The company attributed the slump to disappointing results from its Dai Hung oil field in Vietnam, lower income from its Hawaii oil business and reduced sales in Australia.

Lower production and a strike in the Bass Strait oil field, along with a shutdown of the Griffin field in northern Australia for maintenance, also affected profit, the company said.

The minerals division posted a record operating profit of 540 million, up 11.1 percent from last year, on higher prices for copper, iron ore and coal. This month Broken Hill agreed to buy Magma Copper Co., which will make it the world's second largest copper producer.

Also on Friday, an Australian court upheld Broken Hill's appeal of a lower court ruling on contempt charges stemming from mining operations in Papua New Guinea. (Bloomberg, Reuters)

## Debating NTT's Breakup

Bloomberg Business News

TOKYO — As Japan considers whether the giant Nippon Telegraph & Telephone Corp. should be broken up into smaller companies, there has been no shortage of people — analysts, professors, panels and politicians — offering their opinion.

A final decision by a government panel is to be made in February. But in the past month there has been a rush of debate, reports, committee meetings and, especially, political maneuvering.

More than NTT's future is at stake. Japan's market for telephone calls alone is worth more than 5 trillion yen (\$49 billion) a year. Other companies are itching for a piece of the field, which NTT has dominated since the end of World War II by virtue of its grip on the country's telephone lines.

NTT, which became a private company in 1986, controls about 93 percent of Japan's domestic telephone network. It owns all the local circuits that connect individual houses to the nationwide phone network, and has the largest share of the leased line, cellular phone and pager markets.

Competitors like DDI Corp. and Japan Telecom Co. have to pay high access charges, about 49 percent of their revenues, to connect their services to NTT's lines.

The two biggest voices in the debate over how to open up Japan's communications industry are NTT, which opposes the breakup, and the Ministry of Posts and Telecommunications, which supports it.

The ministry thinks NTT's huge share of the local market is straining innovation and competition. Companies trying to set up data services have

**A committee holds the key to the future of Japanese communications.**

complained that NTT is using its size to squeeze them out.

The ministry views NTT as overstaffed and inefficient, and worries that Japan will be left behind as more countries open up telecommunications markets and new technologies cut across national borders.

NTT counters that its research ability and mammoth size is necessary to prepare Japan for the next century's information superhighway.

Besides, NTT estimates, breaking the company into one long-distance and two regional local-call companies — one of the projected breakup scenarios — would cost the government about 2.2 trillion yen.

The two sides have taken as their battlefields the many study panels, committees and advisory bodies that have weighed in on the issue.

The most important of these is the Telecommunications Council, a 22-member body appointed by the minister of posts. The council will make the final decision on NTT's future, a contrast to what happened in the United States, where AT&T Corp. was broken up by court order.

Early opinions from some of other panels, expressed mostly through newspaper articles, show a clear bent toward a middle ground.

Groups such as Keidamen, Japan's most powerful business lobby, and a Fair Trade Commission panel have noted that simply breaking NTT into regional companies with defined territories will not eliminate its monopoly grip on services.

These panels have avoided backing a breakup, instead focusing on deregulation, encouraging startups and new entrants, as the goal.

That, many analysts say, could be where things end up.

Even if the Telecommunications Council comes out in favor of a split, it may well attach so many conditions to it, or call for so many further discussions, that the actual breaking up could be put off for many years.

## TI Declines Majority in Chip Firm

Bloomberg Business News

TAIPEI — Texas Instruments Inc. said Friday it would not fully exercise an option to acquire a majority stake in a semiconductor chip joint venture with Acer Inc., easing worries among Acer shareholders about a possible loss of income from the company's biggest profit source.

The two sides have reached an understanding that Texas Instruments, which owns 26 percent of the joint venture, will not raise its ownership to more than 40 percent, Acer said.

The result is relatively good for Acer Inc. because it means they won't have to give up so many shares in Texas Instruments-Acer, whose profit outlook is good, said Jimmy Chu, manager of the Formosa Growth Fund.

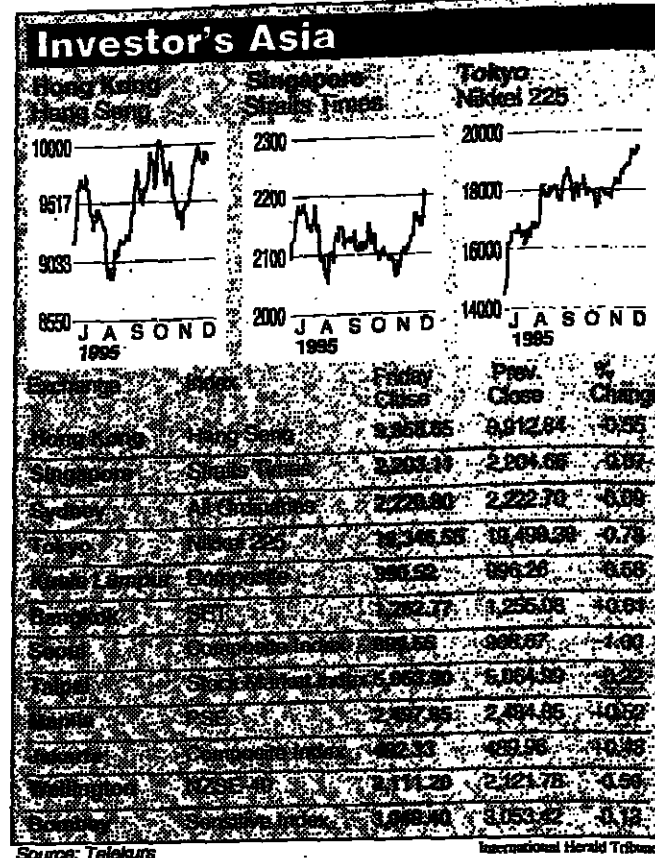
Texas Instruments had an option to buy up to 51 percent of the venture by Jan. 15. Brian Yu, a public relations manager with Texas Instruments in Taipei, declined to explain why the company did not take the full amount allowed in the option.

Bob England, senior vice-president of memory products for Texas Instruments, said the two companies expected a final agreement by the end of February, although "many details still need to be worked out."

"We're happy that they won't take more than 40 percent because TI-Acer is very profitable," Philip Peng, vice president of Acer, said. Acer Inc. owns about 54 percent of Texas Instruments-Acer, China Development Corp., a Taiwan government-linked investment company, holds 16 percent.

Profit from Texas Instruments-Acer could account for more than half of Acer Inc.'s expected 1995 earnings of 5.5 billion Taiwan dollars (\$201.39 million), said Michael Hung, of Nikko Securities.

The joint venture could post a profit of 6 billion dollars this year and could make 11 billion dollars next year once new production comes onstream, Seth Peng, an analyst at Barclays de Zoete Wedd in Taipei, said.



### Very briefly:

• India's Maharashtra state will decide by Sunday whether to revive Enron Corp.'s power project, said Bal Thackeray, the leader of one of the parties in the government, according to The Observer of Business and Politics. The government in August canceled the \$2.8 billion project, planned as the largest foreign investment in India, saying it was too expensive.

• Cathay Pacific Airways Ltd., Hong Kong's leading carrier, said it withdrew from a proposed 1.2 billion-yuan (\$144.3 million) airport terminal venture in China because it could not get an adequate return on its investment.

• Johnson Controls Inc. of Milwaukee and Shanghai Electric Apparatus Co. formed a \$25 million joint venture to make automotive and specialty batteries in China.

• Taiwan's foreign exchange reserves rose to \$91.5 billion in October, up \$90 million from September, the central bank said.

• Phoenix Co., China's biggest bicycle maker, said it hoped to sign a pact with an Italian motorcycle maker this month to produce motorcycles in China, but Zhang Guozhang, a Phoenix spokesman, declined to name the Italian company.

• China's Ministry of Railways said it would issue 1.53 billion yuan of three-year bonds starting next week, a ministry official said. The interest rate and the date of issue have yet to be approved by the central bank.

• Hsinchu Science-Based Industrial Park's 180 companies are expected to reap revenues of 280 billion Taiwan dollars (\$10.25 billion) in 1995, up 60 percent from 1994. More than half of the Taiwan park's revenue is expected to come from semiconductor sales.

• Hong Kong's unemployment rate was unchanged at 3.6 percent for the three months ending November. The rate has climbed this year after hovering near 2 percent for almost a decade.

AP, AFP, Bloomberg, Knight-Ridder, Reuters

## Vietnam Joins ASEAN Plan to Expand Trade

Agence France-Press

BANGKOK — Vietnam on Friday joined a mechanism initiated by its more prosperous counterparts in the Association of Southeast Asian Nations to liberalize trade and create a free-trade area.

Taking its place for the first time in an ASEAN summit, Vietnam signed a pact to adopt a plan initiated in 1992 as a strategy toward reducing tariffs.

Vietnam, which joined ASEAN in July and has a highly controlled but weak economy, has been given until 2006 to lower tariffs to between zero and 5 percent, three years later than the deadline given to the other members to expand trade.

Its ASEAN counterparts agreed at the end of a two-day summit to accelerate the creation of the plan before the target date of 2003.

The other six members include Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

## Sumitomo Confirms Bid for Daiwa in U.S.

The Associated Press

TOKYO — Sumitomo Bank Ltd. of Japan confirmed Friday it had applied to U.S. and Japanese regulatory authorities for approval to take over Daiwa Bank's U.S. operations.

Daiwa is under orders to end its U.S. operations by early February.

A spokesman for the Federal Reserve Bank of San Francisco said earlier this week that Sumitomo had recently applied to buy Daiwa Bank's U.S. businesses. "We are negotiating with Daiwa Bank to purchase the assets of its New York and Los Angeles branches," Sumitomo said in a statement.

In November, U.S. authorities gave Daiwa 90 days to shut down its U.S. operations, which account for 15 percent of the international loans and securities Daiwa holds. The deadline is Feb. 2.

A 24-count federal indictment against Daiwa accuses bank management of directing and taking part in a cover-up of a \$1.1 billion bond-trading loss.

Daiwa has denied the charges and blames a former trader, Toshihide Iguchi, for the cover-up. Mr. Iguchi pleaded guilty last month to fraud and embezzlement.

In late November, a retired Daiwa Bank employee filed a lawsuit in Tokyo against 38 current and former Daiwa executives,

including the bank's president, Takashi Kihio, accusing them of negligence in the \$1.1 billion scandal.

Sumitomo, the world's third-largest commercial bank with \$531.8 billion in assets, has six branches in major U.S. cities, including New York, San Francisco, Chicago, Houston, Atlanta and Los Angeles, the spokesman said. Daiwa has 15 U.S. branches.

Sumitomo said it had applied to U.S. authorities for permission to set up 14 new branches in Los Angeles, San Francisco, Miami, Tampa, Atlanta, Baltimore, Boston, Minneapolis, St. Louis, New York, Philadelphia, Pittsburgh, Dallas and Houston.

## Takeover Talk Moves National Foods

Reuters

SYDNEY — Shares in the large Australian food group National Foods Ltd. fell sharply Friday after two days of market speculation about a possible takeover, brokers said.

Analysts had expected the Foreign Investment Review Board, Australia's official foreign investment regulator, to comment on an expected application by Mingly Corp. of Hong Kong to increase its stake in National Foods to 19.9 percent from 14.9 percent. But a board spokesman said there would be no statement Friday.

Shares in National Foods, which makes and distributes dairy and household products, fell 13 cents to 1.55 Australian dollars (\$2.09). The day

before, share had risen 21 cents.

Turnover in the stock was heavy Wednesday, when more than 8 million shares traded. According to documents filed Friday with the Australian Stock Exchange, Camerlin Pte. of Singapore, was the buyer of 4.15 million of those shares. The purchase increased Camerlin's stake in National Foods to 6.59 percent.

Adrian Richardson, an analyst at First Pacific Stockbroking, said that Camerlin, which he described as a "bid vehicle" put together by a Malaysian-Singaporean-Indonesian syndicate, was trying to build its food interests in the Pacific Rim.

## India Ordered to Delay Telecom Privatization

Reuters

NEW DELHI — India's Supreme Court on Friday ordered the government to refrain temporarily from awarding any licenses to private companies to operate basic telephone services.

The two-judge panel, which issued the order after considering nine petitions challenging the government's telephone privatization program, said it would make a final decision on Jan. 9.

The government has awarded licenses to some private companies, including Indian and foreign entities, to operate cel-

lular telephone services, but it has yet to award licenses to provide basic telephone services in 20 zones across the country.

The petitioners, including several members of Parliament, had asked the court to suspend the multibillion-dollar privatization program, alleging that government bungling had cost the country 140 billion rupees (\$4.01 billion) in lost license revenue.

■ Telecoms Lift Indonesia Stocks  
Indonesian stocks rose Friday for the first time in four days, led by telecom

companies PT Telkom and PT Indosat, which rose on optimism for their profit outlooks, Bloomberg Business News reported from Jakarta.

PT Telkom, the recently privatized domestic phone company, whose full name is PT Telekomunikasi Indonesia, closed at 2,675 rupiah (\$1.71), up 25 rupiah, in the day's most active trading.

Indosat, Indonesia's satellite telecom operator, rose 125 rupiah, to 7,825. The benchmark Jakarta Stock Market Composite Index rose 0.5 percent to 492.32.

## SPEND: Consumers Aren't Buying Talk of Upturn

Continued from Page 15

president of the AFL-CIO, whose members comprise just 12 percent of the labor force, can only propose an implausible "social contract" between unions and major companies at a time when the United Auto Workers, probably the nation's premier union, has just surrendered to Caterpillar Corp. in a long and bitter strike.

Add a sense of insecurity among white-collar workers and middle managers after five years of corporate layoffs, and the big question becomes whether consumers will keep spending to buy the output of the factories where they work.

Furthermore, a shift in the distribution of wealth may have partly neutralized huge stock-market gains that might otherwise have spent. An increasing proportion of the market is tied up in individual pension accounts and, according to Federal Reserve Governor Lawrence Lindsey, more than three-quarters of all dividends were received by just 2.5 percent of households — "not by people who could easily use

them to retire high levels of consumer debt," he said.

"The question is whether income and employment will continue to grow to support consumer spending," said Richard D. Rippe of Prudential Securities, who presented the annual economic forecast of the Public Securities Association.

So far, the consensus says that consumers will keep buying, but some economists think they may be reaching their limits.

New jobs with lower wages, hours and benefits "leave consumers with little power to increase spending," said Roseanne M. Cahn of CS First Boston, who has described companies that slash their work force as "firing their customers."

She says consumer spending is rising at about 2 percent, or slower than overall growth, and that as long as consumers do not increase their savings they will have just enough spendable cash to keep the economy going.

But John Huijzinga of the University of Chicago Business School thinks they will button their wallets. At the school's annual forecast luncheon he warned that growth will stagnate at less than 1 percent next year precisely because "198 million American consumers have signaled that they are very, very pessimistic about their future income growth."

He said that consumer purchases of nondurable goods and services — food, clothing and medical services that people must buy — represented 70.8 percent of the private economy in 1990, the lowest ratio in nine years. The next year the United States fell into recession.

Now that ratio is only 67.8 percent, the lowest since World War II, and Mr. Huijzinga said Americans were "unwilling to consume out of today's income because they do not believe this income is sustainable. If they are right, output and income growth will be low in the future."

If he is right, hard times may lie ahead — all the more so because high-flying financial markets do not expect them. Forbes Magazine, the "Capitalist Tool," once wrote: "We are making progress industrially and economically...on a perfectly heroic scale." That was in June 1929, four months before the great crash.

## Value Put On Stock of Normandy

Compiled by Our Staff From Dispatches

SYDNEY — The proposed merger of four Australian gold companies, led by Normandy Mining Ltd., would value Normandy Mining's shares at 2.40 Australian dollars (\$1.78) each, an independent assessor said Friday.

A report by Grant Samuel & Associates said that share prices for a merged Normandy in the range 2 to 2.40 dollars would be consistent with the market rating of major international gold companies.

Normandy released the report, which assessed the proposed stock-and-options merger of Normandy, PosGold Ltd., North Flinders Mines Ltd. and Gold Mines of Kalgoorlie Ltd.

Ross Grant, principal of Grant Samuel, said that the merger assessment concluded that the deal would lead to a re-rating of at least 20 percent in Normandy share prices.

This assessment produced an expected share trading range of 2 to 2.10 dollars, but there was a "lot of upside" from the 2.10-dollar price, Mr. Grant said.

Grant Samuel's expected postmerger share price for Normandy compares with a market price of 1.75 dollars on Nov. 13, the day before the planned merger was announced, and its close Friday of 1.90 dollars.

Liquidity of the merged business would be "massively larger" than any other Australian gold company. This was of fundamental importance to overseas investors, Mr. Grant said. "It will be 80 percent of the Australian gold index."

"You're an investor in resource, you'll have to invest in this company," he said. (Reuters, Knight-Ridder)

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# Herald Tribune

# MONEY

 SATURDAY-SUNDAY, DECEMBER 16-17, 1995  
 PAGE 19

## FIRST COLUMN

### It Really Is The Thought That Counts

**T**HE analogy is broad, the parallels far from perfect. But the distinctions are important and must be made: Money is not finance, and neither one is economics.

The relationship between money and finance is similar to that between a brick, the raw material of a house, and the draftsman's blueprint. Underpinning both brick and blueprint is their *raison d'être*, namely the obscure and celebrated science of architecture, the equivalent of economics in this comparison.

This week we examine the giving of financial gifts — a notion that has something of a bad reputation, mainly because of the common confusion between money and finance. Giving someone money as a seasonal gift may make you momentarily popular. But when you hand over that check or the more exciting wad of green, you will rightly be assumed to have all the imagination and sensitivity of someone giving away a pile of gift-wrapped house-bricks.

A proper financial gift implies structure and thoughtfulness. There are already financial-services companies in the United States — notably mutual-fund companies — that offer products branded as financial gifts. The crucial difference from investments that you might make for yourself is, in most cases, the prohibition of early redemption.

But you can also buy off-the-shelf items that give a clue as to your cleverness and exquisitely honed financial taste. What do you get for The Man Who Has Everything? An emerging-market convertible corporate bond, that's what.

Again, you may concede the point that a financial gift, as opposed to a gift of just money, is capable of demonstrating thoughtfulness and taste. But it may just be that you find that kind of giving out of kilter with the season. No doubt about it — it's high time Mammon hired himself some good public-relations help.

M.B.

## Small-Company Stocks: Journey to the Land of a Thousand Niches

By Martin Baker

**S**MALL people, small companies, great expectations. The idea has a certain symmetrical charm to it: You buy a stake in a small company for a young relative (or perhaps for your own pension fund) and sit back for the next twenty years or so to watch both donee and stock price grow into ripe maturity.

That, at least, is the theory — one which skeptics will say has merely sentimental, rather than financial, value.

Yes, the counter-argument runs, there may be evidence that small companies make better-than-average investments over the longer term. But the riskiness of investing in small companies makes them too hot to handle for most small investors.

Research conducted by the investment team of the Yale University endowment fund provides a good illustration of the strength of both sides of the investment argument. The Yale endowment-fund managers revealed to *International Fund*, a fund management magazine owned by the *International Herald Tribune*, that it had calculated the investment worth of one dollar invested in 1925 if committed to three different classes of asset.

Its conclusions were as follows:

- By 1994, 1925 dollar would have grown to \$12 if invested in U.S. Treasury bills, leaving around \$3 profit after accounting for inflation.
- Each dollar invested in mainstream shares would have risen to an impressive level of around \$800.
- But the value of an investment in small-company stocks would have risen to an astonishing price of around \$2,750.

But the advocates of investment in small companies do not have it all their own way. Some seven years after making that hypothetical investment, the value of the investor's dollar would have fallen to just a few cents. It would have been very difficult for our hypothetical investor not to have sold in order to lick some pretty severe hypothetical wounds.

From the individual investor's position, this is the real meaning of volatility: It is the tradeoff between attempting to make lots of money and the worry of losing it all.

The Acorn Fund, which tops the performance list of small-companies funds tracked by *Microcap*, the London-based fund research company, has seen plenty of volatile movements within its portfolio.

Terry Hogan, the fund's co-manager, cites the example of a computer-industry

company he bought in various tranches between \$2 and \$3 in 1989: "It started well, rising to \$7 in 1990 — a terrific home run for us — but then fell right back below \$4 in 1992. But we held on and even added to our position, and the stock is now trading at more than \$44."

Mr. Hogan stresses the importance of holding on to shares over time — if the company is well-managed and the market niche is still good.

"If we get one wrong, as inevitably we sometimes do, we will still preserve our capital value over the long term," he says. "We can also lower the overall level of risk through diversification — having a diversity of stocks in our portfolio."

Jonathan Bartlett, manager of the M&G Smaller Companies fund in London, agrees that volatility is part of the small-company investment package: "If you want to make a lot of money, you've got to take a risk."

He argues that holding on to a fundamentally sound company over time is just one of the components for successful investing: "Consistent management of income growth is vital. If you manage the yield — the relationship of the share's price to the income generated — to be at a certain level, you should end up with capital values that reflect the yield."

Mr. Bartlett sees volatility as a necessary part of investing in small companies: "The relationship between small and large companies is that of the yacht to the cruise liner. The first is much more susceptible to changes in prevailing conditions, while the latter may take much longer to adapt to a change in the economic winds."

A corollary of this theory is that the management of a small company must be of a sufficiently high quality to adjust a company's market position. For this reason, says Anne McMeekin, managing director of the mutual fund division of the Framlington group in London, on-site research is essential.

"Our fund managers are their own analysts. They will visit a company to make their own appraisals of its prospects, performance and management. They will not rely on second-hand advice from brokers."

A further benefit is that small com-

### Financial Gifts

Page 21  
Long-term savings plans  
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### Smaller-Company Funds

Value of \$100, income reinvested excluding charges.  
Over 20 years to December 4, 1995.

Acorn Inv. Fund	3,439.30
Framlington Capital	2,774.98
M&G Smaller Companies	2,676.84
Herberts Emerging Growth/A	2,633.54
Parity Mutual	2,571.37
Kemper Small Cap Equity/A	2,518.45
T. Rowe Price OTC	2,389.74
Scudder Development	2,266.11
Discretionary Unit	2,246.16
INVESTCO UK Smaller Cos.	2,172.31
Lazard UK Smaller Cos. Growth	2,155.29
SAFEGG Growth	2,077.78
Five Arrows Smaller UK Cos.	2,049.15
Keystone Small Co Growth	1,987.35
T. Rowe Price New Horizons	1,781.84
Vanguard Explorer	1,634.79
S&P Smaller Companies Income	1,533.59
FPA Capital	1,529.86
Allied Dunbar Smaller Cos.	1,483.04
Lord Abbett Develop Grth	1,435.61
Allied Dunbar Second Smllr Cos.	1,179.26
Winthrop Aggressive Grth	1,158.79
EV Tradrst Spl Equities	1,115.42
Vanguard Index Sm Cap Stk	1,107.35
Evansmore Smaller Cos.	1,087.14
Selected Special Shares	857.27
Alliance Gbl Smllr Cap/A	774.21
Sector average	1,875.80

Source: Microcap

International Herald Tribune

panies are not so intensively followed by the market, and so there is a greater possibility of undiscovered value. For those prepared to go out there and investigate the potential upside of investing is probably greater than the potential downside."

The frequently violent swing between upside and downside is also partly attributable to the nature of the market in small companies.

"In the short term, because of liquidity factors, the stocks of small companies are indeed more volatile than larger companies," says Roy McKay, manager of the Scudder Development fund for Scudder, Stevens & Clark in New York. Liquidity in this context means that there are relatively few buyers and sellers of a stock, so the margin, or built-in profit element, tends to

fatten in a less competitive environment.

"This works in both directions," says Mr. McKay of these stocks. "They are harder to buy and sell."

The costs of dealing, of course, tend to escalate if you are attempting to deal in small volumes. This, say fund managers, is another reason to invest in small companies through the medium of mutual funds: Funds buy big and can reduce dealing costs through economies of scale.

Mutual funds allow investors to minimize the specific risks and liquidity risks associated with small-company investing," says Mr. McKay. "In addition, they provide professional management who spend all of their time researching the fundamentals of each company and each niche opportunity."



So from the perspective of the giver, buying an investment in small companies is attractive: It is long-term, and if you select a good fund management firm you ought to be able to allow it to do the worrying for you.

They key variable in the equation is the gigantic assumption that corporate profits will continue to outstrip inflation, as they have done for most of this century.

Small-company investing is, as one analyst puts it, "the land of a thousand niches. No one person can be aware of them all, but a fund manager can give it a good try."

The Money Report is edited  
by Martin Baker

## Funds for the Child Who Needs Everything

By Aline Sullivan

**C**HOOSING the perfect gift for a child is difficult enough under the best of circumstances. Choosing one that is not meant to be opened for 20 years is even tougher.

An emerging-market fund may be just the thing for a godchild or grandchild. At best, several hundred dollars invested now could finance a sizable chunk of a college tuition bill, a year abroad or a deposit on a house. Or, if the recipient has a say, it could buy a first car.

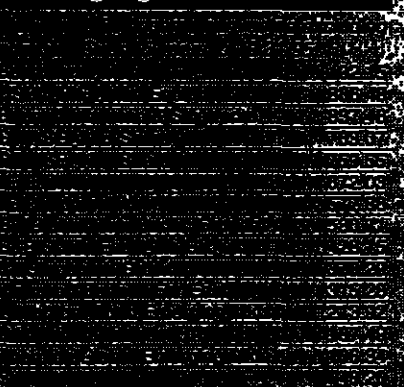
Certainly, the beneficiary of \$500 invested 15 years ago in the Schroder Asian fund should be grateful: He or she now has \$5,511 to spend. That's half again the 701 percent return over the same period from the Standard & Poor's 500 Composite index of leading U.S. stocks and five times the 215 percent return on U.S. Treasury bills.

"When we started the fund 20 years ago, it was only investing in Hong Kong and Singapore," says Jan Kingzett, a director at Schroder Investment Management in London. "Now it is investing in ten markets and in at least twice as many companies."

Of course, the investment could be almost entirely wasted. Few people would be excited about receiving the remains of, say, a Yugoslav fund or one that had invested in Africa's more troubled markets. Unfortunately, the pitfalls are difficult to anticipate. An investment of \$100 in USBS's Saff (South Africa) fund 15 years ago is now worth less than half that amount.

Spreading the investment is the most

### Emerging Market Funds



Source: Microcap

International Herald Tribune

likely way to avoid disappointment, advises James Tew, research director at monitoring group Fund Research in London. "Investing all the money in, say, Russia could be upsetting if that turns out to be the only country that goes nowhere," he warns. "Regional funds might be a good idea, but my instinct is to spread the investment among a number of markets."

Donna Morris, vice president of retail marketing at Fidelity Management Inc. in Boston, seconds that advice. Fidelity's \$1.5 billion Emerging Markets Fund has gained 54.79 percent since its inception in 1990.

"Look at broadly diversified funds because there is so much risk associated with country- or market-specific funds," she says. "Regional funds depend on who is managing the investment: If someone is able

to monitor it and switch regions, then it can work out. But if the fund is a 'buy and hold,' then investors are better off putting it in the hands of a professional money manager."

A case could be made, however, for not stretching the investment too widely. According to data from Microcap, the London fund research group, none of the ten top-performing emerging-market funds over the past 15 years were global, while three concentrated on just one or two countries. All of the best performers focused on Southeast Asia.

Investors who believe that strong past performance is a good reason look elsewhere for future growth should think again about Southeast Asian funds. The recession in Hong Kong and several of its neighbors makes now a good time to buy, say several fund managers.

"Southeast Asia will grow faster than anywhere else over the next ten years," Mr. Kingzett says. "There is a huge population in the region and most of the economies are going to keep on growing rapidly."

Choosing a fund depends not only on the focus desired but also on the tax implications for the beneficiary. Investors who have no idea where the fund's recipient will be living when he or she comes of age could consider an offshore fund, although the management charges are likely to be higher.

Also important is the management company. "Look for an investment house that has good resources and a genuine commitment to the emerging markets," Mr. Tew says. "It should have a reasonable track record but doesn't have to have been a star performer."

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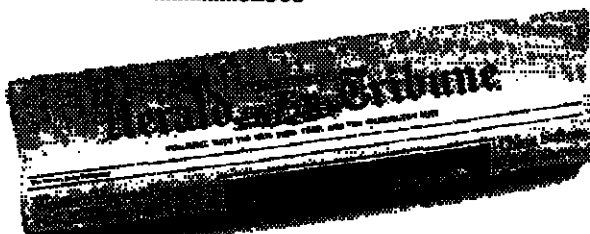
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THE WORLD'S DAILY NEWSPAPER

## Prenuptials Show the Other Side of Giving

By Barbara Wall

**T**HROUGH the years many couples have tied the knot by speaking the words of the traditional marriage ceremony: "With all my worldly goods I thee endow."

But with divorce rates soaring, an increasing number of high-net-worth couples is trading that unconditional vow for a prenuptial agreement that clearly spells out who is giving what to whom — and for how long.

Historically, marriage contracts have tended to benefit the husband, as it was usually he who owned most of the matrimonial assets. That picture is changing. Many women now earn high incomes and own property before entering into a relationship. If this is their second marriage, they may also have a settlement from the previous marriage as part of their asset base.

Paul Hauser, a lawyer with the firm Bryan Cave in London, believes that a prenuptial agreement has several practical advantages. A well-drawn agreement can enable wealthy families to keep their estates intact. It also prevents the parties from

attempting to disguise the full extent of their wealth, as all assets have to be disclosed for the contract to be enforceable in the courts.

"Prenuptial agreements tend to work best between financial equals," he says. "It is difficult to justify such an agreement if one partner brings more wealth to the marriage and is keen to protect that wealth from the spouse. If the contract cannot be watered down to make financial provision for the poorer spouse, he or she may be advised to avoid signing it altogether."

"The chances are that the marriage will go through anyway," Mr. Hauser adds, "as it tends to be the family of the wealthy partner who wants the assets kept separate and not the prospective newlyweds."

Although prenuptial agreements are supposed to be legally binding documents, a few have been successfully contested. Paul Stubbard, a partner with the law firm Baker & McKenzie in London, says that in cases where several courts have jurisdiction over the agreement, the disgruntled spouse can shop around to find the jurisdiction that will offer the best deal.

Forum shopping, as this practice is known, is frowned upon by the courts but can sometimes work. In a recent case, the

wife of a wealthy German businessman successfully contested a German prenuptial agreement in the British high court.

"The couple had been living in Britain for many years," Mr. Stubbard explains. "It was therefore possible to ask the British court — which does not always recognize such contracts — 'to rule on the matter.'"

It is precisely because of such jurisdictional problems in international marriages that Mr. Stubbard says it is often advisable to have the agreement drawn up in the jurisdiction where both parties intend to live on a more or less permanent basis.

While most marriage contracts are designed to keep the spouses' estates separate, they may also be used to protect assets from seizure or loss by transferring them from one spouse to another.

Financial transfers within marriage can also be useful for tax purposes. "If the wife is not working, the husband can transfer assets into her name to make full use of her tax allowance," says Geoffrey Bailey, a financial consultant with Lloyds Bank in London. But he adds that there has to be a certain amount of trust involved, since the transfer is treated as an absolute gift — meaning the recipient is not obliged to return the money or other assets.







## This Year, Give Children the Gift of Thrift

By Rupert Bruce

**H**OLLY and Annie Hoadley of East Sussex, England, are eagerly anticipating Christmas morning. They have asked Santa Claus — or Father Christmas, as they know him — for Pocahontas dolls and accessories, and with any luck he will grant their wishes. But, if they are really fortunate, the jolly bearded legend may bring a large check down the chimney.

Holly, 5, and Annie, 3, are probably a little too young to appreciate the true value of money. Should they be so lucky, however, their mother will store their gift money away in a long-term mutual fund savings plan for the day when they realize that money is the root of all Pocahontas dolls — and much else besides.

Joanna Hoadley, a Fidelity Investments product manager, set up a monthly savings account for each of her daughters two years ago with the intention of saving for their weddings or some other purpose. She invests £50 (\$75) a month in both the Fidelity Japan Smaller Companies and Fidelity European unit trusts. If the girls receive "a substantial sum" for Christmas, she says, she will add it to their existing savings.

They would not be the only children to receive such financial gifts. Investment companies report a surge of saving on the behalf of children by parents, grandparents and other relatives in the festive season. Much of the money goes into savings plans of one type or another. This money may take the form of a one-time payment into an existing savings plan, or it may be the first of a series of regular monthly payments.

But choosing a savings plan presents an even more agonizing array of choices than selecting other types of present. Should one go for an equity-based savings plan? Fixed income? How about plain old cash?

The advice from Jo Roddan, corporate communications executive at Fidelity Investments, is simple: The more distant your time horizon, the more risk you can afford to take. If the savings plan is likely to

remain invested for 10 years, she recommends something like the Fidelity Special Situations fund, which is "volatile over the short term but has very good returns over the long term," she says.

Jerry Tankersley, director of asset management services at Prudential Securities, is more cautious. There are three components to the decision, he asserts: "What is my investment objective? How long do I have to get there? What is my risk tolerance? All three of those need to be asked. It is obvious that the longer the time horizon you have, the more risk you can take. But each individual has to decide that."

He stresses that contributing regularly to long-term savings plans is an extremely effective way to invest because it offers the

**Discipline is the key to successful saving: 'It's not timing the market, it's time in the market.'**

benefits of a proven investment technique known, in any currency, as dollar-cost averaging. By investing set sums on a regular basis in fluctuating investments, like equities, investors not only avoid the hazards of buying before a sharp fall in financial markets, they also tend to buy more cheaply because their regular investment buys more of a particular investment when its price is low than when it is high. When the price paid for the investments is averaged out, it will be lower than the average market price over the same period.

But Mr. Tankersley also emphasizes the importance of a diversified portfolio. He advises clients establishing savings plans not to put all the money into equity-based investments, but to diversify into other asset classes. He says that the three most popular assets for regular savings plans are certificates of deposit, zero-coupon bonds, and mutual funds.

Mrs. Hoadley has a similar approach. In addition to her children's monthly savings accounts, she puts small sums of money into high-yielding deposit accounts for them from time to time.

The establishment of regular savings plans is fairly simple in the age of electronic banking. Most mutual-fund companies have savings plans in place with fairly low minimum investments, as do many brokerage companies. In addition, standing orders are now a basic banking service, so savers need not worry about remembering to make the investment.

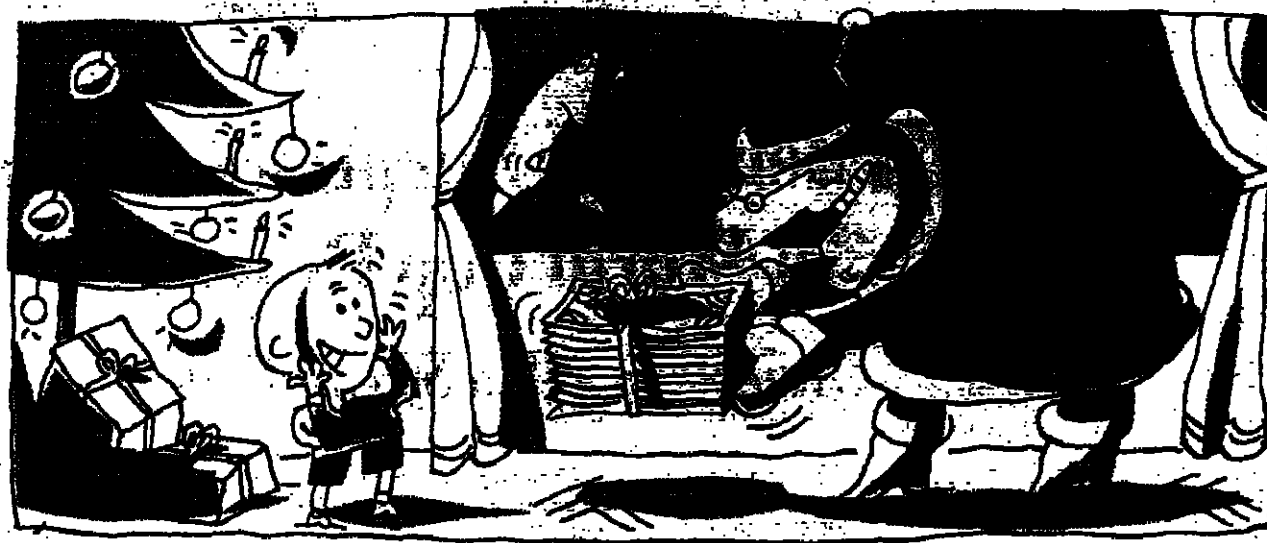
But the form that any regular savings plan takes may depend on tax legislation. In the United States, for example, the Uniform Gifts to Minors Act (UGMA), and the Uniform Transfers to Minors Act (UTMA), allows custodial accounts to be set up for children; the accounts are then transferred to the beneficiaries when they reach adulthood. The investments are taxed at the child's tax rate, which will almost certainly be lower than the adult donor's.

U.S. broker-dealers and mutual-fund companies set up these accounts, and in some cases they give them a name and a marketing wrapper.

Fidelity Investments has a College Savings Plan that is basically an UGMA account under a different name. This is because college fees are one of the most popular purposes of U.S. savings plans. The minimum start-up investment on this account — along with the plain-vanilla UGMA accounts that Fidelity markets — is \$1,000, while the monthly minimum investment is \$100.

In Britain, and many other countries, there are similar tax breaks to encourage saving on behalf of minors for their future. In general, the key is that money placed in custodial accounts in a child's name does not suffer the donor's tax rates.

But, according to Mr. Tankersley, the tax breaks mean nothing unless the donor is disciplined about saving regularly and for the long term. "In the U.S. we have a saying," he says. "It's not timing the market, it's time in the market."



## A Guide to Playing Financial Santa

By Judith Rehak

**H**ANDING a family member or friend a \$10,000 Christmas gift may seem unusually generous, but it is increasingly common in the United States, where it offers a double benefit: the opportunity to play big-time Santa and a legitimate way to beat the tax man.

For the lucky folks on the receiving end, the Internal Revenue Service decrees that a gift up to \$10,000 annually is tax-free.

For gift-givers whose estates exceed the tax-free ceiling of \$600,000, each reduction of \$10,000 saves their heirs a hefty sum.

"In an estate over \$1 million, for example, giving away \$10,000 before you die will save the recipient \$4,100 in taxes," says Mary Malgoire, a Bethesda, Maryland, financial planner. "Instead, it stays in your family or with your friend."

According to financial advisers and tax experts, cash is the most popular form of financial gift-giving, but it is by no means the only method, especially given the spectacular performance of the U.S. stock market this year.

Suppose, for instance, you have made a bundle in a high-flying technology stock over the last 12 months. "When there's such a dramatic increase, it might be advisable to give the appreciated securities, rather than cash," suggests Paul Besancon, a partner at accountants Arthur Andersen. "By gifting appreciated stock you can avoid the unrealized gain up front on those shares." He adds that mutual fund shares

can be given, just like individual securities.

There is one caveat to giving securities, however. Unlike a cash gift, recipients of stocks, bonds, or fund shares will have to pay taxes when they decide to sell them. Moreover, these taxes are based on appreciation from the price originally paid by the giver. For that reason, gifts of securities are often made to a child or individual in a lower tax bracket, who might pay as little as 13 percent, compared with the usual capital-gains tax of 28 percent.

But there is a lot more to a financial Christmas gift than tax benefits or merely handing someone's life better," says Ms. Malgoire.

She remembers one wealthy client who has written year-end checks to friends in their 80s who are in reduced financial circumstances, and another who gave money to a needy family for desperately needed hearing tests and devices for a deaf child.

"We think a lot about giving to charities, but not as much to individuals in need," she says.

There are, of course, practical considerations in making financial gifts. "One doesn't have to give the maximum of \$10,000, and Mr. Besancon does not recommend playing financial Santa on a continuing basis if your estate is less than \$500,000 in liquid assets."

He also notes that the IRS applies the \$10,000 tax-free limit to all gifts, not just cash or securities — meaning that parents who gave a car to a child for college graduation probably could not also give stock.

On the other hand, notes Ms.

## How to Turn the Tables on Mom and Dad

By Ann Brocklehurst

**W**HILE it is usually well-off older relatives who give money away to younger generations, in the boom years of the 1980s many young urban professionals began to earn bigger paychecks than their parents. These days, if the yuppies did not spend all their money on BMWs and designer products, they may want to give some to older relatives preparing for retirement.

Instead of just handing over \$10,000 in cash, the maximum tax-free amount that U.S. law permits as a gift to any one person, they might consider giving a variable annuity. Both fixed annuities, which pay guaranteed interest rates, and variable annuities, which essentially consist of mutual funds inside a tax-deferred insurance wrapper, are common retirement investments.

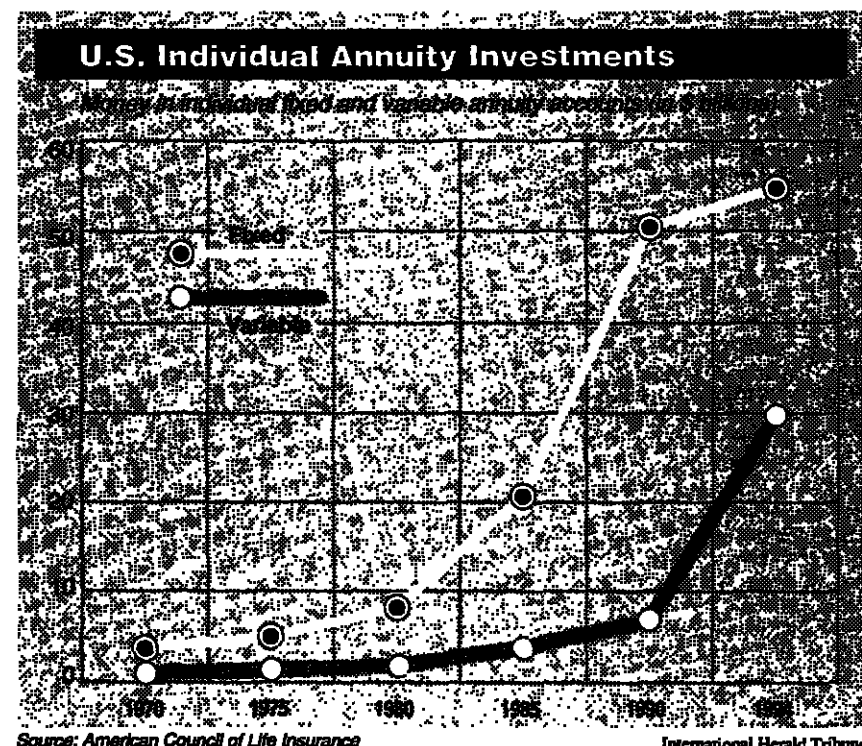
As mutual funds have boomed over the last decade, the variety of variable annuities available also has expanded dramatically. It is now possible to own variable annuities invested in niches such as emerging markets, small-capitalization stocks and "socially conscious" stocks.

From 1991 to 1994, according to the American Council of Life Insurance, the money flowing into variable annuities owned by individuals more than tripled, to \$28.94 billion. For fixed annuities, it rose 19.9 percent, to \$51.89 billion. Morningstar, the Chicago-based fund research group, now tracks close to 250 variable annuity contracts, compared with 116 in 1990.

In its "Best of America" program, Nationwide Insurance offers its clients a chance to invest in 30 funds, including the Fidelity VIP II Contrafund Portfolio, Oppenheimer Global Securities Fund, the Dreyfus Socially Responsible Growth Fund and the Warburg Pincus International Equity Portfolio.

Ed Tessmer, national sales director for Columbus, Ohio-based Nationwide Life, says the company has been "innovative" in using outside fund managers to run some of its accounts instead of running them all itself. He says 12 percent of Nationwide's annuity assets are in fixed-income accounts, while 88 percent are in variable annuities, for which October was the company's biggest month ever. "People have gotten away from fixed annuities," he adds, noting that buyers of variable annuities tend to be more aggressive than the average investor "simply because they have a longer time frame. They're in stocks for the long term."

While some of the money moving into variable annuities is coming from fixed annuities and new customers, some of it



comes from clients switching from one type of variable annuity to another, according to Jennifer Strickland, editor of Morningstar's Variable Annuity/Life Performance Report. "The competition's gotten quite fierce recently," she says, adding that the different funds are now "canibalizing each other" to a certain extent.

Ms. Strickland says money put into a variable annuity should remain there until the beneficiary retires. An annuity is an illiquid investment vehicle with penalties as high as 10 percent incurred for taking money out early. On top of that, the U.S. Internal Revenue Service imposes a tax of 10 percent on withdrawals before age 59½.

The chief benefit of an annuity is that income and capital-gains taxes are deferred until the money is withdrawn, presumably in retirement, when the beneficiary's income is usually significantly lower than in peak earning years. Annuities can also be taken in the form of a monthly retirement check as opposed to a lump sum. In the United States there is no ceiling on the amount annuity investors can put away.

Because of their insurance feature — usually a minimal life policy that provides for the amount in the account or the amount originally invested, whichever is greater, to go to the beneficiary's heirs — annuities are more complicated and costly to administer than mutual funds. The average variable annuity contract charge is \$27 per year while average insurance expense is

1.24 percent. Average fund expenses for U.S. diversified equity sub-accounts are 0.78 percent, compared 1.10 percent for international equity sub-accounts.

As much as fees can have an impact on returns, factors such as the manager and his or her strategy are more important. "Don't stop at the contracts," says Ms. Strickland. "It really pays to take time and look and identify what strategy a manager is using." While fund managers will often run both a mutual fund and its equivalent variable annuity fund, Ms. Strickland cautions that the portfolios will not be "clones." Both the size of the funds and cash flows can affect returns, and she says they should be seen as fraternal rather than identical twins.

With the increase in money flowing into tax-deferring investments like annuities, revenue-hungry governments have been eyeing them as a possible source of income. Last year, the Clinton administration considered taxing annuity earnings as a way to finance welfare reform, and before that the Bush administration included a plan to tax annuities in one of its budget proposals. In both cases, public resistance caused the idea to be dropped.

"The insurance industry is a very powerful lobby," Ms. Strickland says, adding that the United States already has a low retirement savings rate. Saving for retirement "is good for America," she says. "Taxing it would be a very short-term solution."

## Handing Down the Family Home: When You Can Choose Your Relatives

By Aline Sullivan

**T**HE biggest financial gift most parents have to make is also the scariest to let go. Passing the family home on to the children can be a sensible way to save them substantially on taxes. But unless the gift is handled carefully, the donor risks being left out in the cold.

The point at which giving away a home makes financial sense depends on the tax laws in the country of residence. In the United States, for example, it only becomes worthwhile if the value of the total estate exceeds \$600,000. But in France, where inheritance taxes start to kick in at just 300,000 francs (\$45,000), many more parents may find the gift worth making.

In Britain, lawyers expect more parents to pass on their houses before the next general election, widely expected for April 1997. If, as is likely, the Labor Party ousts the ruling Conservatives, inheritance taxes could be

raised. That would reverse the current trend. Last month, the chancellor of the Exchequer, Kenneth Clarke, announced that inheritance thresholds would rise to £200,000 (\$306,700) as of April 1996 from the current level of £120,000. Above that amount, estates will continue to be taxed at 40 percent.

"The reason to make a gift of your house is to get its value out of the estate," says Colin Masters, a partner at the law firm Clyde & Co. in London. "It's only worth doing if the house has a high value and no or hardly any mortgage. People with estates of less than a quarter of a million pounds shouldn't bother."

At first glance, Britain's inheritance-tax allowance looks meager compared with the \$600,000 limit in the United States. But British residents can make substantial gifts each year until seven years before their death without making a dent in the death duty threshold. In the United States, all gifts worth more than \$10,000 in a single year are deducted from the \$600,000 total.

Peter Massaro, a lawyer with Bryan Cave

in London, points out that U.S. tax law is far stricter with the property of non-resident aliens, whose beneficiaries are entitled to an allowance of only \$60,000. "Anything above that is subject to tax," he says. "And it doesn't take much to get up to the top limit of 55 percent."

For these people and all those with substantial assets, giving the house to the children may not be a bad idea. In the United States the most common technique is the qualified personal resident trust, or QPRT. Parents place the property in trust and appoint their children and themselves as trustees. They continue to live in the house but pay a market rent to the trust. When the trust expires, the children retain the property and the parent continues to pay rent.

Of course, the children can be liable for income tax on the rent received. But this works out well for the family as a whole if the children are in a lower income tax bracket than their parents.

In Britain, a similar strategy has been chal-

lenged recently in the courts by the Inland Revenue. In this case the defendants, like many owners of substantial estates, retained the leasehold, or long-term lease rights, to their property but gave away the freehold, or ownership, to their children.

"The Inland Revenue is arguing that the beneficiaries should not be exempt from death duties because the donors continued to benefit from the property," says Mr. Masters. "So far the court has upheld the dependents, but the case is going into appeal. But as long as you structure it properly, it should be possible to cut down on future tax bills by passing on the house before you die."

French law positively encourages this process by deducting 25 percent from death duties if the parent makes a donation, or a gift of the house before he or she is 65 years old, according to Marc Jobert, a lawyer based in Paris. That percentage drops to 15 percent between the ages of 65 and 75 and then disappears.

"It's worth doing," Mr. Jobert says, be-

### BRIEFCASE

#### Interest-Rate Clues From a Well-Placed Source

Anyone looking for an idea of where interest rates are heading in 1996 could do worse than look at what clients of Guinness Mahon Ltd. are doing with their money — in droves.

This year, the British private bank, through its office in the Channel Island of Guernsey, reported a "marked increase" in the use of currency-switching among holders of its multi-currency Private Interest Cheque Account, which allows commission-free switching and competitive interest rates in 27 currencies.

"Customers are taking a more tactical approach to currency movements," says Carol Goodwin, a managing director at Guinness Mahon Guernsey. "Towards the beginning of 1995 the average number of currencies held was two. Now customers are tending to hold a spread of four or more currencies."

For next year, however, "the outlook for interest rates is generally lower," she continues, "and it makes sense for customers to take advantage of fixing their deposits at the higher interest rates available in most currencies." Guinness Mahon Guernsey, for example, is currently offering clients a rate of 6 percent on a deposit of £100,000 fixed over three to six months.

The Private Interest Cheque Account requires a minimum initial deposit of £2,500, \$3,000 or the approximate equivalent in a chosen currency. Benefits include free checking and an American Express Gold Card or Visa Gold debit card.

For more information, telephone Guinness Mahon Guernsey at (44-1481) 723-506.

#### The Contrarians Are Coming, The Contrarians Are Coming

All financial journalists worth their Gop khakis know that a good story is one that bucks the conventional wisdom. No surprise, then, that after months of unremitting bullishness it is be-

giming to look a little bearish in pundit-land.

"The summit is in sight," warns The Big Picture, an investment newsletter, in its December issue. While citing the usual fundamental, technical and monetary data to bolster its prediction that stock prices have "a couple of months" to rise further, the newsletter declares "it will be all downhill" after that.

On a lighter note, The Elliott Wave Theorist, a wonderfully quirky newsletter that, among other things, tries to glean market intelligence by charting the renewed popularity of Frank Sinatra and the Beatles, cites a recent advertisement in a popular mass-market magazine as perhaps the best indication that a bear market is coming. The ad, for automated financial services, shows a man in a suit reading the financial pages as he flies in an airplane — facing backwards. "He's looking back at what the stock market has done," is the newsletter's interpretation, "and is blind to what it is about to do."

#### What Would You Bid For a Naked Silenus?

Collectibles are having tough times, as we reported last week, but there are rays of sunshine. A recent sale of antique coins, held in Geneva by the auction house Tradart, brought in 2.62 million Swiss francs (\$1.48 million), or 30 percent more than a comparable sale last year. The star item was a silver Greek coin from 412 B.C. that sold for 116,000 francs — more than three times its resale valuation. A Sicilian drachma from 450 B.C. bearing a naked likeness of Silenus, the mythological half-human, half-horse, brought 72,000 francs, 60 percent above its valuation.

Remember, though, that coins, like other collectibles, are slow-growth investments that pay primarily intangible returns. The sale of a single Roman gold coin for 102,000 francs sounds impressive — until you work out that the seller, who bought the coin in 1977 for 38,000 francs, made a compound annual return of only 4.39 percent.

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**WORLD ROUNDUP**



Malaysia's Ramachandran Murusamy won the 5,000 meters.

**Thais Lead the Pack**

**SOUTHEAST ASIAN GAMES** Thailand sprinted, swam and shot past the 100-gold medal barrier at the Southeast Asian Games Friday, leaving favored Indonesia behind with half the number of wins.

With two days of competition still left, the Thais grabbed their 100th gold in women's weightlifting and rolled on to take two track relays and five of six swimming finals.

Billed as a neck-to-neck contest between the hosts and perennial victor Indonesia, the 18th version of the games has turned out to be a Thai runaway. Thailand had amassed 114 golds to Indonesia's 58.

But the Indonesians swept the day's four rowing and two archery events and took other golds in tennis, table tennis and weightlifting. (AP)

**Graf Has Foot Surgery**

**TENNIS** Steffi Graf underwent foot surgery Friday and will be forced out of next month's Australian Open, the first of the Grand Slam tennis events. Graf, 26, was operated on at the Alfred Krupp Hospital in Essen to remove bone splinters from her left foot, Dr. Hartmut Krahl said at a news conference.

"The patient wants to take enough time to complete her recuperation and rehabilitation program without problems," Krahl said.

Graf had a similar operation two years ago. (AP)

**Williams Tunnel Opens**

**BASEBALL** In time, drivers will swoop through the new tunnel to the Boston's airport without a second thought. But one thing about the tunnel will remain untarnished: the name it bears — Ted Williams, the baseball legend forever linked with the Boston Red Sox. (AP)

**Seizinger Surprises Street In World Cup Downhill**

**American's Win Streak Ends at 6**

**ST. ANTON, Austria** — The Olympic champion Katja Seizinger snapped Picabo Street's streak of six consecutive World Cup downhill victories by recording her first victory in the discipline in almost two years on Friday.

In a two-leg format, Seizinger finished with a total time of 2 minutes, 06.68 seconds to register her 18th career World Cup triumph and her first downhill success in 21 months.

"Today I was the lucky one," said the German, second to Street in the season opener three weeks ago in Lake Louise, Alberta. "I made several mistakes in both runs today, I really didn't believe I could win."

Carrying an advantage of 0.20 seconds into the second run, with Street almost a full second back in 13th, Seizinger posted the third best time of 1:03.46 on her repeat leg down the sun-drenched 1,700-meter Kandahar course.

But that was enough to leave Seizinger comfortably in front of Switzerland's Heidi Zurbiggen, the 10-year World Cup veteran who was once again frustrated in her bid for her first win. She was almost half a second slower with a total of 2:07.12.

Austria's Alexandra Meissnitzer, winner of a super-G and third in a giant slalom last week in Val d'Isere, returned to the podium by placing third in 2:07.19.

Street, chasing the legendary Austrian Annemarie Moser-Pröll's record of 11 straight downhill victories, came into the weekend riding a six-race win streak.

The winner of the final five races last season, snatching the overall World Cup downhill title from Seizinger, Street began the defense of her crown with a victory in Lake Louise.

Her opening run left her 0.97 seconds behind, but the 24-year-old American made a valiant bid by posting the fastest time in the second run of 1:03.20.

But her effort fell short, with Street finishing sixth with an aggregate of 2:07.39.

Looking to reclaim the overall downhill title she surrendered to Street last season, Seizinger vaulted to the top of the standings with 180 points while her American rival slipped to second with 140.

Seizinger, second in the overall rankings in two of the last three years, also reaffirmed her intention of finally acquiring that coveted title by padding her lead atop that list with 360 points.

Meissnitzer, meanwhile, vaulted into second with 268 followed closely by Germany's Martina Ertl in third with 267.

"After just six races I don't want to even think about the overall title," said Seizinger, the overall downhill champion on three occasions. "There are still lots of races and lots of people who can beat me."

The women return to the mountain Saturday for another downhill that officials hope to race in one run.



Germany's Katja Seizinger speeds her way to victory Friday in the World Cup downhill event in St. Anton, Austria.

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After the race, Street was in no mood to talk to the press and quickly vacated the finish area. She left the U.S. downhill coach, Ernst Hager, to answer questions.

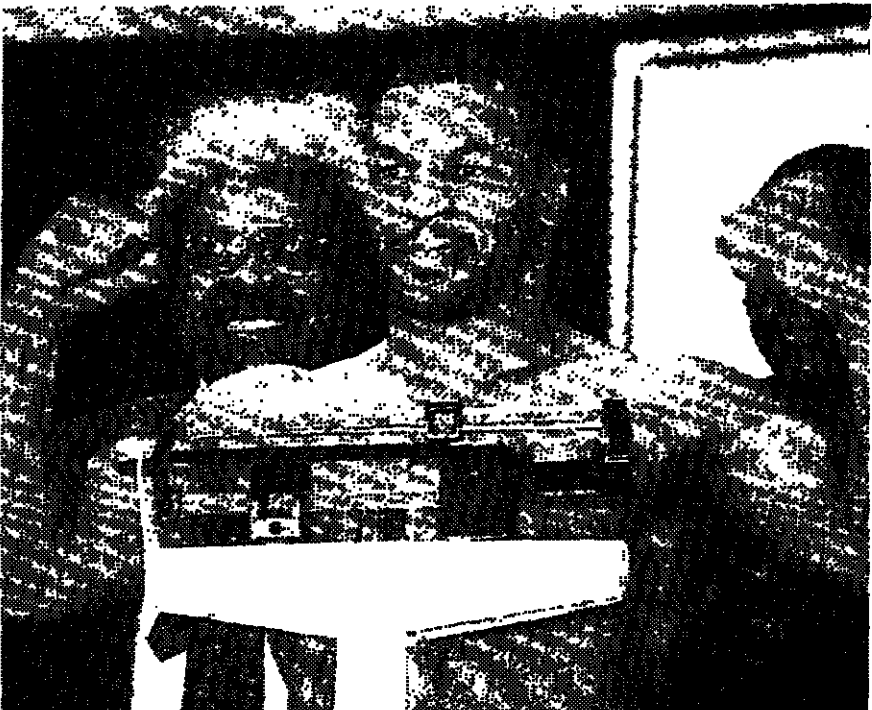
"When you run a double downhill each run is only a minute long and you can't make any mistakes," said Hager. "During her first run she made a big mistake about halfway up."

"It's a little rough up there and she got a

little wide and lost a lot of time. It cost her the race," he said. "I think she's pleased with her effort. She came back from 13th to sixth and won the second run. She doesn't want to talk to anyone today. She could have a lot to say after the race tomorrow."

**Heavyweight Weigh-In Swift and Silent: Same Expected for Fight**

By Jere Longman  
New York Times Service



Mike Tyson, looking ready for his Saturday fight against Buster Mathis Jr.

**PHILADELPHIA** — With only two shopping days left until the Mike Tyson-Buster Mathis Jr. fight, fans showed up with their cameras at a downtown hotel for a little bargain hunting. Who could blame them? The weigh-in was a lot cheaper than Saturday's fight, and it may end up lasting longer.

Tyson arrived in a black bombardier jacket and hat, complete with flaps, as the full-throated promoter, Don King, talked about punches that would carry the force of nuclear explosions. If there was a feeling that Tyson might carry Mathis a few rounds at the Spectrum, simply to work some of the rust off, King's bombast suggested otherwise. He projected that the fight would be brutally short, a fistic haiku.

"We're here to answer the quintessential question," King said, gnawing on a cigar. "How long? Not long."

Marvis Frazier lasted 30 seconds against Tyson. Peter McNeeley wilted in 89 seconds. Michael Spinks went down in 91 seconds and Carl Williams, known as the Truth, faced the consequences after 93 seconds. Mathis, a pleasant fellow who seems not to have convinced himself, much less others, that he belongs in the ring, is the

latest candidate to be scrambled by Tyson faster than a three-minute egg.

"A good fight is not longevity," King said.

Perhaps that's why, with tickets ranging up to \$500, Philadelphians are ignoring this heavyweight bout, and the Spectrum figures to be half empty. It is up to King to decide whether to lift a blackout on the local Fox network channel for a fight that could likely be shoehorned into regular programming with no more interruption than a commercial break.

"Money is not our goal," King said. "Our goal is preparation. We need the round. Or two rounds. Or three rounds."

Tyson's next scheduled fight is March 16 against Frank Bruno. First, he must dispatch Mathis. Neither heavyweight said anything at the weigh-in, to each other or anyone else. After stripping down to a "Property of Allah" sweatshirt, then merely a pair of briefs, Tyson tipped the scales at a chiseled 219 pounds.

"Cut in stone," King cackled. "Adonis."

Mathis, who weighed a doughy 224, stood silently as King stepped between him and Tyson, raising each fighter's arm in photo-opportunity victory. Undoubtedly, only Tyson's arm will be raised on Saturday. Mathis made the peace sign and

gave a thumbs up, but, despite calls to "take your shirt off," the chubby fighter kept his T-shirt tucked into his pants.

Against Tyson, he lacks physique as well as punching power.

**Mayor Complains of Ticket Prices**

Mayor Edward G. Rendell says the price tag on many of the tickets for Saturday's fight is out of reach "for the average working guy." The Associated Press reported from Philadelphia.

"This is a price structure for Atlantic City or Las Vegas, where a lot of people get cramped," Rendell said of the \$25 to \$500 range. "I'd like to make more of those \$25 tickets available so the average working guy can come and bring his family."

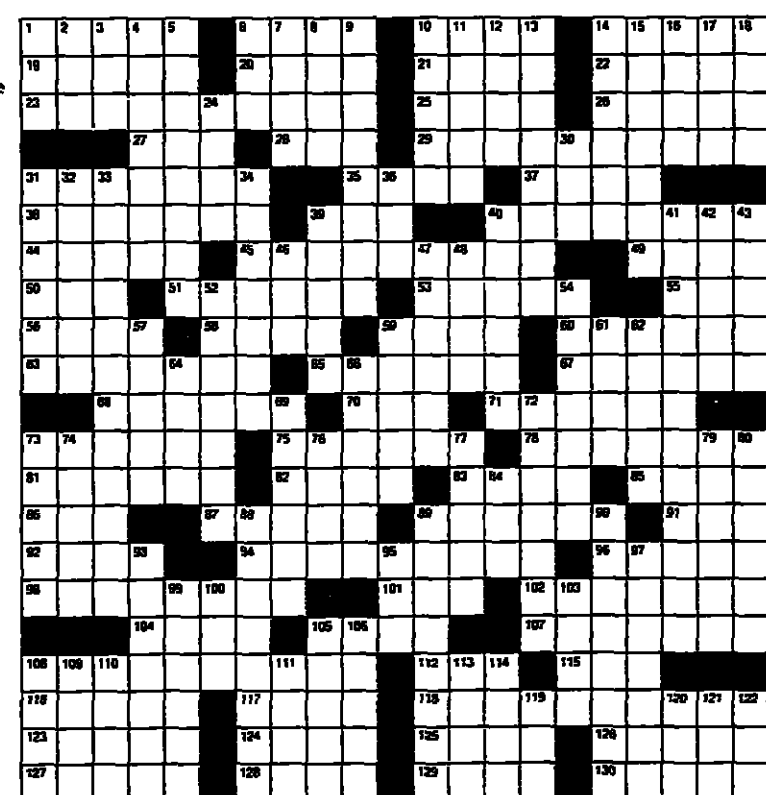
And unless many more tickets are sold, Average Joe in South Philly won't see the "free television event of the decade" on Fox TV because of a local blackout.

Don King controls the blackout. He said Wednesday he needed to sell 85 to 90 percent of the 18,400 seats in the Spectrum for the fight to be televised.

Exactly how many tickets have been sold remains a gray area. At a press conference Wednesday, King at first refused to say. In a telephone conference later that day, he estimated that 6,000 tickets had been sold.

**A LOT OF HOGWASH By Dean Niles**

- ACROSS**
- Crack
  - Current choice
  - Land (four)
  - Knock hard
  - "Vive —"
  - First name in Webster's
  - Nui (Easter island)
  - Film director
  - Forman
  - Hogwash
  - Vin
  - Capital, e.g.
  - Seat on the aisle
  - Early nuclear org.
  - Hogwash
  - Golden time
  - Had down
  - Miles per hour, e.g.
  - Susan Sontag's — as Metaphor
  - "Apologia pro vita —"



© New York Times/Edited by Will Shortz

- DOWN**
- Franklin's 1836 foe
  - Atl. coast state
  - Feminist measure
  - Banks family money
  - Not rising or falling, as a sea
  - "Wheel of Fortune" purchase
  - Musical's — mark
  - Common town name ending
  - Physicals
  - Diving bird
  - McKenzie, Brackman TV series
  - Form of silica
  - Herb once thought to be an aphrodisiac
  - Bangers
  - Tumbler
  - Hogwash
  - Caners of activity
  - Academic benchmark
  - Rim supports
  - Caners of activity
  - Physique, slangy
  - Turkish title
  - Northamptonshire river
  - Pizzaz
  - Kind of pie
  - Farm vermin
  - Most thirsty
  - Mosslike growth on marine rocks
  - Eastern court members
  - It may have a big head
  - Cylindrical
  - Badge
  - Refugees, for one
  - Scenic balcony
  - Celestial Altar
  - sine qua non (request)
  - Dental exam part
  - Hogwash
  - Snowy —
  - Borderline
  - Mountain denizen
  - Foreign assembly
  - Shelve
  - "Laugh-in" regular Alan
  - Anniversary item
  - Boris Godunov and others
  - DOWN
  - Franklin's 1836 foe
  - Atl. coast state
  - Feminist measure
  - Banks family money
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**Bills Should Slow Dolphins' Drive to Playoffs**

By Timothy W. Smith  
New York Times Service

**Miami (8-6) at Buffalo (9-5)** The Dolphins have won two in a row and are beginning to get their bearings back. Could it be too late? They need a victory and some help to make the playoffs this week. Las Vegas odds-makers favor the Bills by 3 points.

**New England (6-6) at Pittsburgh (10-4)** With solid performances from quarterback Neil O'Donnell balanced with consistent rushing from Eric Pears and Bam Morris the Steelers look like they're marching right into the AFC Championship game. Steelers by 9½.

**Green Bay (9-5) at New Orleans (6-8)** The Packers could have used a couple of TD tosses from Brett Favre last week when they lost to Tampa Bay 13-10 in overtime. He might not have the same problems this week, because the Saints are a little dinged up in the secondary. Packers by 4½.

**New York Jets (3-11) at Houston (8-6)** The Oilers are 4-0 against the Jets. It seems like the last few years Houston has put a humiliating exclamation point to another disappointing season. The Jets are beyond humiliation at this point. Oilers by 5.

**Arizona (4-10) at Philadelphia (9-5)** The Cardinals' coach Buddy Ryan would love nothing better than to come into Philadelphia and spoil the Eagles' playoff bid. Unfortunately, he doesn't have enough offense to pull it off. Eagles by 8½.

**Atlanta (8-6) at Carolina (6-8)** The Falcons are creeping up on having three players to record 1,000 yard seasons — receivers Eric Metcalf and Bert Emanuel and running back Craig Heyward. They'll be working harder than ever against the Panthers. Falcons by 5.

**Cincinnati (6-8) at Cleveland (4-10)** It was Matt Stover's 28-yard field goal in overtime that lifted the Browns over the Bengals the last time the two teams played. That was the weekend before the team's move to Baltimore was announced and the last time the Browns won a game. Bengals by 1½.

**Jacksonville (3-11) at Detroit (8-6)** The

appointing Jets season. The Jets are beyond humiliation at this point. Oilers by 5.

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**NFL MATCHUPS**

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**Jacksonville (3-11) at Detroit (8-6)** The

Jaguars scored a season-high 31 points last week against the Colts and it still wasn't enough. They lost 41-31. It wasn't the first game this year that the Jaguars defense took the day off. Lions by 13.

**Tampa Bay (7-7) at Chicago (7-7)** These two teams are locked up in a race for a wildcard playoff spot. The loser of this game will likely drop out of the picture. Bears by 6½.

**Washington (4-10) at St. Louis (7-7)** The Rams still have playoff hopes, and the Redskins have hopes that Heath Shuler is the franchise quarterback they draft in 1994. Rams by 3.

**New York Giants (5-9) at Dallas (10-4)** Not that it will come down to a fourth down conversion, but the Giants defense isn't very good at stopping them if Dallas coach Barry Switzer is inclined to go for it again this week. Cowboys by 15.

**Denver (7-7) at Kansas City (11-3)** The Chiefs' offense hit a wall Monday night in Miami, losing to the Dolphins and missing an opportunity to get a first round bye in the playoffs. Kansas City was plagued by turnovers. Chiefs by 6½.

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SPORTS

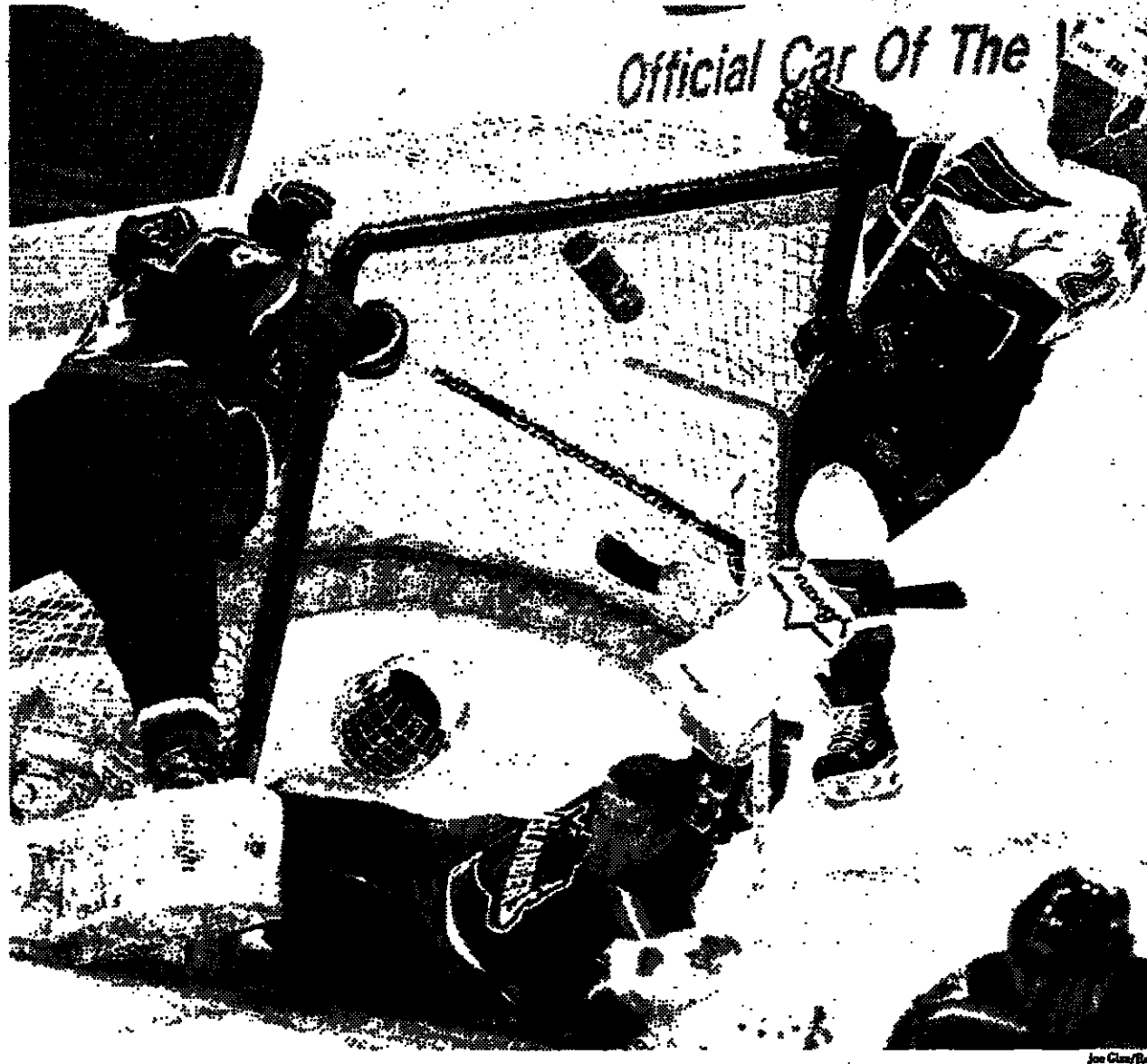
# Bulls Are Looking Invincible Again

The Associated Press  
Phil Jackson is a hard man to please. Even with his team off to the best start in franchise history, the Chicago Bulls coach sees plenty of room for improvement.  
"We can play better," Jackson said Thursday night following a 127-108 rout of the Atlanta Hawks that lifted Chicago's record to 18-2, slightly better than the previous club record of 17-3 set in 1991-92.  
"The defense isn't good at times," Jackson said. "We give up too many offensive boards. Our break isn't consistent."  
Jackson's perceived deficiencies made no difference against the Hawks, with Scottie Pippen scoring 30 points and

who finished with 28 points, came after Toronto had rallied to knot the score at 100 on Damon Stoudamire's two free throws.  
Trailing 85-77 after three quarters, the Pacers played the fourth period with a 16-0 run, led by six consecutive points by Ricky Pierce, who scored all of his 17 points after intermission.  
Oliver Miller led the Raptors with 22 points and 12 rebounds, while Tracy Murray had 21.  
Spurs 128, Mavericks 111  
David Robinson scored 21 first-half points, then Avery Johnson and Sean Elliott balanced San Antonio's offense in the second half, carrying the Spurs past the Dallas Mavericks.  
Robinson had 33 points, 13 rebounds and seven assists, but the Spurs didn't get going until Elliott started scoring his 27 and Johnson his 21.

## NBA ROUNDUP

Michael Jordan adding 22. The game turned into a rout after Mookie Blaylock's 3-point basket cut Chicago's lead to 73-70 with 6:39 remaining in the third quarter.  
Chicago, rolling to its eighth straight victory, got 10 points from Pippen in a 20-5 burst that gave the Bulls a 93-75 advantage after three periods.  
Nuggets 103, Knicks 94  
Don MacLean's 19 points off the bench sparked Denver's second-half rally and the Nuggets bounced back from their worst loss of the season to defeat the New York Knicks.  
The victory was Denver's first at Madison Square Garden since March 31, 1990, and snapped the Knicks' three-game winning streak.  
Pacers 102, Raptors 90  
Rik Smits' 20-foot jumper with 0.5 seconds left boosted the Indiana Pacers over the Toronto Raptors.  
The winning shot by Smits.



A three-player collision at the net caused momentary chaos during the Capitals' 4-3 victory over the Islanders.

# Maradona Threatens to Leave Boca Over Coach

Compiled by Our Staff From Dispatches  
BUENOS AIRES — Diego Maradona, the troubled soccer star, says he will quit his Argentine club, Boca Juniors, if he would leave the club at which he sprang to fame as a teenager in the early 1980s.  
Boca's president, Mauricio Macri, confirmed he had offered Bilardo the post, but said he

would do everything to keep Maradona. He said Bilardo did not object to coaching Maradona.  
Maradona said he was "waiting for offers from all of the clubs out there," and added, "I want to keep playing in my country." The 35-year-old former Argentine captain

returned from a 15-month playing ban in late September to lead Boca to a six-point lead in the league championship. But Boca slipped to consecutive defeats and squandered the title amid internal bickering and resentment over Maradona's regularly missing training.  
(Reuters, AP)

# Capitals' OT Goal Edges the Islanders

The Associated Press  
It seems that everything Steve Konowalchuk touches turns to goals these days.  
Thursday night, he added two more, including the game-winner in overtime, as the Washington Capitals beat the New York Islanders 4-3.  
Konowalchuk knocked in Dale Hunter's rebound 2:16 into overtime as the Capitals won their second straight game and their first in five overtimes this season. Konowalchuk scored his first career hat trick Saturday in Winnipeg.  
"I've had my chances most of the year," said Konowalchuk, who now has a total of 10 goals. "But not a lot have gone in. It's been the same for the whole team."  
Ken Klee had tied the game at 3-3 on his fifth goal of the

season with 6:52 left in the third period. Joe Juneau also scored for Washington, which is unbeaten in its last three games.  
Braves 6, Panthers 4  
Adam Oates scored a career-high four goals Thursday night to lead the Boston Bruins to a 6-4 victory over Florida and end the Panthers' six-game unbeaten streak.  
Oates scored twice in the second period and once in the third to turn a 2-1 game into a 5-1 blowout. But Blaine Lacher gave up three straight goals in the third period to allow Florida back in it. That's when Oates notched goal number four, doubling his season total.  
Florida had won its last three and posted a 5-0-1 record in its previous six games to take over the best record in the NHL. Wednesday night, Boston lost 4-2 to the team with the league's second-best record, the Rangers, on a fluke goal and two more that were disputed.

## NHL ROUNDUP

Flames 3, Blues 2  
Shayne Corson's goal with 14:22 remaining in regulation gave the St. Louis Blues a 3-3 tie with the Calgary Flames.  
The Blues had a chance to win when Ron Stern was assessed a five-minute major penalty for slashing at 1:05 of the overtime period. But the Blues managed only two shots in the remaining 3:55. The Blues lost their one-man advantage when Geoff Courtall was called for interference at 4:33.  
The Flames had built a 3-2 lead on two goals by German Tlova and one by Zarek Zaslavski before Corson tied the game with a shot from the slot that beat goalie Rick Tabaracci.  
Maple Leafs 4, Sharks 1  
Doug Gilmour had two goals and an assist, including the tie-breaking score in the second period, as the Toronto Maple Leafs beat the San Jose Sharks 4-1.  
Gilmour and Mike Gartner scored second-period goals little more than a minute apart to give the Maple Leafs a 3-1 lead. Gilmour added a second score with 12:47 remaining.  
Goaltender Felix Potvin turned away 25 of 26 San Jose shots, including saves on a pair of breakaways in the first period to help the Maple Leafs win for the fourth time in five games.

## SCOREBOARD

### BASKETBALL

#### NBA STANDINGS

EASTERN CONFERENCE			
ATLANTIC DIVISION			
Team	W	L	Pct
Orlando	17	5	.773
New York	16	6	.727
Atlanta	12	9	.571
Boston	10	10	.500
New Jersey	9	10	.474
Washington	9	10	.474
Philadelphia	7	17	.292
CENTRAL DIVISION			
Team	W	L	Pct
Chicago	18	2	.900
Indiana	10	9	.526
Atlanta	10	12	.455
Cleveland	9	11	.450
Charlotte	10	13	.435
Detroit	8	12	.400
Albuquerque	6	12	.333
Toronto	7	19	.264
WESTERN CONFERENCE			
NORTHWEST DIVISION			
Team	W	L	Pct
Houston	17	5	.773
Utah	14	6	.700
San Antonio	12	7	.632
Denver	10	10	.500
Dallas	7	13	.393
Minnesota	6	12	.333
Vancouver	2	19	.095
PACIFIC DIVISION			
Team	W	L	Pct
Seattle	13	6	.684
Portland	14	7	.667
Phoenix	11	9	.550
L.A. Lakers	12	10	.545
Golden State	8	11	.421
L.A. Clippers	8	14	.364

### MAJOR COLLEGE SCORES

FOOTBALL	
Team	Score
Georgia Tech vs. Duke	24-10
Alabama vs. Auburn	21-10
Florida vs. Miami	21-10
Ohio State vs. Michigan	21-10
Notre Dame vs. USC	21-10
Stanford vs. Cal	21-10
Washington vs. Oregon	21-10
Arizona vs. UCLA	21-10
Nebraska vs. Iowa	21-10
Missouri vs. Texas	21-10
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Georgia vs. Florida	21-1



DAVE BARRY  
Beware of Half-Baked Frogs

MIAMI — It is getting worse. When I say "it," I am referring to the worldwide epidemic of frogs showing up in food, which I documented in a recent column describing two worldwide incidents, one involving a frog baked onto a pretzel, and the other involving a frog in a frozen Chicken Cordon Rouge dinner.

When I say "it is getting worse," I am referring to a shocking new development that occurred in Orange, California, according to a story in the Orange County Register, which states that on Nov. 5 a man named Patrick McGowan and his family were eating at a chain restaurant called El Torito. McGowan had ordered the No. 7 combo, and noticed that the taco "was chewier than it ought to be. So I spit it out and there was a frog," McGowan said. "I couldn't believe it. I bit the damn head off."

A manager then appeared, and after a "rug of war" with the McGowans, wound up taking the frog away. The McGowans demanded custody of the frog, but the restaurant refused to surrender it. "We want to have it checked for diseases," Marina McGowan is quoted as saying. "We called our doctor and he said, 'Get the frog.'"

If you know anything at all about the United States of America, then you know what happened next: namely, lawyers were hired. The McGowans' attorney sent El Torito a letter stating: "The frog pieces will be crucial evidence if this matter proceeds to litigation. You are advised to maintain custody of the frog and insure that it is not lost, altered or destroyed in any manner."

An El Torito company spokesperson told the Register: "We're not commenting on the location of the frog. It is undergoing testing at a reputable independent lab."

As of this writing, we do not know the results of the testing. But we do know that we now have documented cases of frogs showing up in all three major food groups: (1) the restaurant group; (2) the frozen-food group; and (3) the pretzel group. Only an idiot would believe this is coincidence. And if you are not alarmed about this, then you obviously have never had a friend or loved one expire from a frog-transmitted disease.

How can you, the consumer, protect yourself? You can be very suspicious, especially if you're eating at a swank restaurant operated by French people, who are known to

deliberately put frogs, and sometimes even SNAILS, into food, then disguise them with so-called "French" names such as "escargot." When ordering at such a restaurant, make sure you ask your waiter probing questions about the menu ("Pierre, this so-called 'frog' — any frogs in that?").

When preparing your own food at home, be sure to check the list of ingredients carefully — and not just for frogs. I say this because recently an alert reader sent me a food product, which he purchased in Singapore, called — I am not making this up — "Thick Soup of Snake."

The information on the Thick Soup of Snake box is printed in both Chinese and a language that is sort of, but not quite, English. For example, the box states that in addition to "snake meat," the ingredients include "hot perfume" and "special doing first-class soup material."

In an act of unselfish journalistic courage, I actually made Thick Soup of Snake, with the help of my son, Rob. This was not easy, because the directions (or, as the box calls them, the "Food of way") include such statements as: "Allocate the materials becoming starch shape with the a little cold water" and "you will get a pot of heavy fragrance." I'll say we did. I do not believe I have ever experienced a fragrance that heavy outside of an unserved portable toilet.

"What would it take to get you to eat this?" I asked Rob.

"A new car," he said.

But I was determined to try it. I got a spoonful of Thick Soup of Snake and brought it to my lips.

"I'm going to throw up," I told Rob.

"No, you won't," he said, helpfully.

"Just forget it's snake."

I finally ate a little bit, and so did Rob, and we agreed that — once you get past the fact that it smells disgusting and looks like something that had been swept from the floor of a stable full of very sick horses — it is truly awful. I honestly think I would prefer frog.

But the point is that we're having an epidemic, and you should be very careful about what you eat. You should consume only those foods that it would be difficult for reptiles or amphibians to hide in. Probably your safest bet is to eat nothing but M&Ms. And even then, you should steer clear of the green ones.

Knight-Ridder Newspapers.

Mr. Chow, Updated, Is Relaunched in London

PARIS — To reopen a restaurant that has closed is no more complicated than christening a ship with a bottle of champagne. To relaunch a restaurant that has been fading over the past 10 years is more delicate, according to Michael

MARY BLUME

Chow, who is in the process of reviving his first Mr. Chow restaurant in London, headily opened on Valentine's Day 1968 and neglected as he extended his empire to Los Angeles, New York and, briefly, Kyoto.

"In a restaurant it's dangerous if after many years you have a suddenly different look, even if it's better," he says. He reckons that the decor he designed in 1968 has held up well, based like his food on the motto Death to Chop Suey. This meant simple, clean lines, Pop Art by Jim Dine and Peter Blake, forks instead of chopsticks, white wine instead of tea, Italian instead of Chinese waiters because they were friendlier and could not conspire with the Chinese cook to open a rival restaurant since they could not communicate ("It was the typical British imperial philosophy of divide and rule").

The restaurant's cable address was Chow-ciao and the cuisine Peking.

"I hope people won't say on my God this is a different place. Details will be improved. To me they're not details, they're major, but people will feel a subtle difference." He has brought over a greeter from his Los Angeles restaurant and a dish called green shrimp (the color comes from a spinach bath) from New York and, to attract the children of his '60s customers, invited to the relaunch party the list of 200 "dateables" printed by Tatler magazine (the Princess of Wales was unable to attend).

The London scene has changed, with enormous eateries taking the place of intimate restaurants. "Thirty years ago only five people ate out, now there are thousands," Restaurants have also changed. "Hairdressers and photographers were the stars of the '60s and '70s, now it's restaurateurs. I just gave a party for all the restaurateurs in London, it couldn't have happened years ago, they would all have been ex-waiters. This time there was Sir Terence Conran, there was the son of a



Michael Chow with his wife, Eva: He has added green shrimp to menu.

lord, so the profession has changed."

Described in his own publicity as "the first truly world-famous restaurateur," Chow is the son of a Chinese classical actor who was purged in the Cultural Revolution. Michael was sent to school in England at 12 and tried acting and design before deciding that in England a Chinese could only open a restaurant or a laundry, a view he has not entirely abandoned. "I would like to do a book about misunderstandings about East and West but every time I say I'm doing a book people say O.K., where are the recipes?"

He has risen above racism and exile by establishing his own empire, by a sharp

sense of irony, by avid celebrity chasing and by having a superb eye for art and design which made him into a world-class collector of pieces by the Art Deco designers Ruhlmann and Dunand. In Paris to see a dealer, he is changing focus and has sold much of his collection, meaning that a show at the Metropolitan Museum was canceled. He says his biggest regret is not having his name on the banners the Met flies over its entrance during shows.

His eye is so fine that Giorgio Armani invited him to design his new store on Rodeo Drive (and earlier was so impressed by Chow's New York decor that, although they had not met, he sent him 70

Armani couture jackets for his waiters).

A self-described major control freak, Chow says even as a child stamp collector back in Shanghai he limited himself to Russian stamps. "I like to control an area, limit myself to a specific niche and be king of that area. Paul Newman said if you are obsessed in one area it will filter through and that's probably true."

"I'm basically a collector in the true sense. I collect hinges, doorknobs, I collect floors. I don't mean physically, I mean mentally. Like ice buckets — I think I've got the nicest ice buckets. Of course everybody couldn't care less but I get very excited by that." His eye is so sure, he says, that he can tell if a dish has too much salt by a glance.

"Michael is misunderstood because he is so talented in design and areas not connected with food that people do not know how passionate he is about food," says his wife, Eva, a successful New York designer. "Michael is such a perfectionist that even if he just wants to eat an egg at home, if he says three minutes he won't go to 3 1/2 or 2 1/2. It's very annoying, we don't eat at home much."

Chow thinks his success is based a lot on being in the right place at the right time — London when it was still swinging, Los Angeles when it was discovering food and celebrity seating, New York during the art boom of the '80s when his restaurant became a canteen for successful painters and dealers. He has just played himself in Julian Schnabel's film about the late Jean Michel Basquiat, with David Bowie as Andy Warhol.

In the New York restaurant he asks painters to fill a blank page in a large book he proffers, along with colors. "It's rather pushy, then they open the book and see Francis Bacon, Jasper Johns, Noguchi, and they think gee, what I am going to do. Only one person refused, Bridget Riley. Cy Twombly was great, Larry Rivers did a serious portrait of me and I had to sit there for an hour and a half during dinner."

Ever since Peter Blake painted him in 1968, bright yellow to conform with racial stereotypes, Chow has sat for 13 artists from Andy Warhol to Helmut Newton to Keith Haring.

"One day," he says, "I'll give them to a museum so one room will be Louis XIV and the next will be Mr. Chow."

POSTCARD

A Chip Off the Old Block, but Only When He's 1

By Curt Supplee  
Washington Post Service

WASHINGTON — Practically every parent has been told, from time to time, that his or her child looks "just like you." But a new study concludes that this purported likeness, no matter how often commented upon by relatives or friends, is illusory in most cases. "Children in general do not look enough like their parents for a resemblance to be detected," researchers from the University of California at San Diego report in the journal Nature, "with the one exception that one-year-olds look like their fathers."

Psychologist Nicholas J.S. Christenfeld decided to study parent-child resemblance after being told repeatedly that his baby daughter, Emma, looked like him. Few observers, however, had said that the infant resembled his wife. Intrigued by the dis-

parity, he set out to determine whether a disinterested stranger could perceive a likeness between children and their parents.

Christenfeld and assistant Emily A. Hill obtained photographs from 24 different families. Each pair of parents provided a picture of one of their children at age 1, as well as pictures of each parent as adults and as infants approximately 1 year old. In families where children were older, parents also provided pictures of their child at the ages of 10 and 20 with the infant photograph.

The researchers then recruited 122 test subjects and asked them to look at numerous sets of four pictures. Each set included one picture of a 1-year-old child and three of adult women (or men), only one of whom was the real mother (or father). The subjects were asked to match the infant's picture with the adult child most re-

sembled. Subjects were also asked to choose among photos of three possible mothers or fathers to match with photos of the children at ages 10 and 20.

In every case but one, the subjects were unable to match the offspring with the correct parents at a rate significantly higher than 33 percent, the probability of a right answer by chance alone. But subjects were able to match accurately a 1-year-old child of either sex with the real father about 50 percent of the time—although not with the mother.

The volunteer subjects were adept at other kinds of facial recognition tasks. For example, they were able to match a picture of a 1-year-old child with the same child at age 10 or 20—or to identify correctly which picture of the parent as an infant corresponded with the same parent as an adult—between 60 percent and 80 percent of the time.

WEATHER

Europe									
	Today	High	Low	Today	High	Low	Today	High	Low
Algeria	12/52	94/88	sh	15/59	116/52	C			
Andorra	4/28	30/27	sh	7/44	4/29	1			
Austria	3/37	4/25	C	6/42	4/25	1			
Belgium	13/55	7/44	C	13/55	8/46	PC			
Bulgaria	17/52	7/27	sh	15/27	8/47	1			
Croatia	5/41	1/24	C	5/41	1/24	1			
Czech Rep.	6/43	1/24	C	6/43	1/24	1			
Denmark	8/42	4/29	PC	8/42	4/29	1			
Egypt	6/43	1/24	C	6/43	1/24	1			
Finland	14/57	11/52	C	16/51	11/52	C			
France	8/46	4/29	PC	8/46	4/29	1			
Germany	8/46	4/29	PC	8/46	4/29	1			
Greece	6/43	1/24	C	6/43	1/24	1			
Hungary	10/50	6/46	1	11/52	7/44	1			
Ireland	6/43	1/24	C	6/43	1/24	1			
Italy	10/50	6/46	1	11/52	7/44	1			
Japan	11/52	7/44	1	11/52	7/44	1			
Korea	11/52	7/44	1	11/52	7/44	1			
Latvia	11/52	7/44	1	11/52	7/44	1			
Lithuania	11/52	7/44	1	11/52	7/44	1			
Netherlands	11/52	7/44	1	11/52	7/44	1			
Norway	11/52	7/44	1	11/52	7/44	1			
Poland	11/52	7/44	1	11/52	7/44	1			
Portugal	11/52	7/44	1	11/52	7/44	1			
Romania	11/52	7/44	1	11/52	7/44	1			
Russia	11/52	7/44	1	11/52	7/44	1			
Slovakia	11/52	7/44	1	11/52	7/44	1			
Slovenia	11/52	7/44	1	11/52	7/44	1			
Spain	11/52	7/44	1	11/52	7/44	1			
Sweden	11/52	7/44	1	11/52	7/44	1			
Switzerland	11/52	7/44	1	11/52	7/44	1			
Taiwan	11/52	7/44	1	11/52	7/44	1			
Thailand	11/52	7/44	1	11/52	7/44	1			
Turkey	11/52	7/44	1	11/52	7/44	1			
Ukraine	11/52	7/44	1	11/52	7/44	1			
United Kingdom	11/52	7/44	1	11/52	7/44	1			
USA	11/52	7/44	1	11/52	7/44	1			

Legend: sunny, pc-partly cloudy, c-cloudy, sh-showers, h-hail, drizzle, rain, drizzle, snow, s-snow, ice, W-Wind, W-Wind. All maps, forecasts and data provided by AccuWeather, Inc. © 1995

THE film "Leaving Las Vegas" was named the best movie of 1995 by the New York Film Critics Circle. The award for best actor, for the same movie, went to Nicolas Cage, who earlier in the week was named best actor by the National Board of Review of Motion Pictures. Jennifer Jason Leigh was named best actress, for "Georgia." Ang Lee, best director, "Sense and Sensibility." Kevin Spacey best supporting actor, for his collected 1995 work ("Seven," "The Usual Suspects," "Swimming With Sharks" and "Outbreak"), and Mira Sorvino, best supporting actress, "Mighty Aphrodite." Lee, Spacey and Sorvino also won Board of Review awards.

Princess Diana has been dating a wealthy property developer for the last 14 months, according to London tabloids. The Sun and the Daily Mirror named him as 40-year-old Christopher Whalley, who lives in south London and has a house in the Yorkshire countryside in northern England. The two papers quoted unnamed friends as saying they met at gym where they both work out and where, according to the Daily Mirror, the princess asked Whalley: "What does a girl have to do to get a guy to buy her a coffee around here?" The Sun said Whalley had played down the friendship in an interview. It quoted him as saying: "I'm not one of her regular friends. So she's phoned me a couple of times — what exactly is the big deal?"

A federal judge has ordered the FBI to explain why it kept John Lennon under surveillance in the early '70s and to reveal which of its agents shadowed him and what their responsibilities were. Some of Lennon's acquaintances have said they believe the government was trying to have him deported from the United States because of his opposition to the Vietnam War.

A black limousine in which Benito Mussolini took Adolf Hitler touring in Italy before World War II was sold at a London auction for \$241,500 (\$370,000). The Lancia Astura Limousine was built for Hitler's use in May 1938. The buyer was not identified.

Bob Guccione threw a Christmas party for the NAACP at his mansion. Original art



SO WHO'S GRUMPY? — Jack Lemmon, Daryl Hannah, center, and Ann-Margret attending the premiere in Los Angeles of their movie, "Grumpy Old Men." Hannah's T-shirt reads "Dirty Old Men Need Love Too."

— but no Penthouse pets — decked the walls at his home in Manhattan. It's the sixth year the Penthouse publisher and his wife, Kathy, have been hosts for the local chapter's holiday party.

The newest James Bond, Pierce Brosnan, was shaken, not stirred, when an interviewer asked him whether 007 is embracing safer sex in the era of AIDS. "Engaging in safe sex? I don't know. I really don't know how to answer that question. Actually I just don't have the words. They fail me," he stammered. "It kind of ruins the moment in a Bond movie. 'Excuse me darling, where is it? I've got it here somewhere. My God.' The only gadget that doesn't work."

John Goodman is keeping his options open where ABC's hit series "Roseanne"

is concerned. He has sent a letter to producers that gives him the option of leaving if the show comes back for a ninth season next year. The series star, Roseanne, has indicated this season would be her last, but one report said she might be wavering.

Ten years ago, visitors needed an invitation from the prime minister of Italy to enter Room 601 at the Hotel Raphael. Today, a credit card will do nicely. For about \$350 a night, you can rent the spacious penthouse that was once the home in Rome of former Prime Minister Bettino Craxi, who is a fugitive in Tunisia after being sentenced to jail for corruption. The penthouse is now known as the "presidential suite," and Craxi's name has been removed from the door. The hotel's publicity has been among famous former guests as "Bettino Craxi (politician)," after the co-sponsor Yuri Gagarin and Jean-Paul Sartre.

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Austria	022-903-011	Cyprus	800-0010	Bolivia	800-0010
Belgium	00-800-100-10	Egypt (Cairo)	510-0200	Brazil	800-0010
Bulgaria	00-1800-0010	Israel	177-100-2727	Canada	1-800-225-2200
Croatia	00-385-4288	Jordan	18-000-000	Chile	1-22-0-0010
Czech Republic	00-420-00101	Kuwait	800-288	Colombia	800-111-1111
Denmark	8001-0010	Lebanon (Beirut)	420-001	Ecuador	800-0010
Finland	800-100-10	Oman	800-001	El Salvador	800-0010
France	19-0011	Qatar	800-001	Guatemala	800-0010
Germany	0130-0010	Saudi Arabia	1-800-410	Honduras	800-0010
Gibraltar	8000	Syria	800-001	Hungary	800-0010
		U. Arab Emirates	800-121	Mexico	800-0010
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				Peru	800-0010
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